

H.R. 15226. August 23, 1976. Education and Labor; Ways and Means. Directs the Secretary of Labor to enter into contracts with Opportunities Industrialization Centers, Incorporated, and with any other nonprofit community based organization for the provision of specified employment and training services for unemployed persons, especially unemployed youth. Directs that priority be given to such organizations to provide similar services under enumerated public works and revenue sharing programs.

Amends the Comprehensive Employment and Training Act to authorize the Secretary of Labor to provide financial assistance for year-round jobs for economically disadvantaged youths.

Amends the Internal Revenue Code to qualify wages paid to specified previously unemployed persons for the work incentive program expenses credit.

H.R. 15227. August 23, 1976. Education and Labor. Amends the Service Contract Act of 1965 to extend its applicability to contracts performed on the Canal Zone.

H.R. 15228. August 23, 1976. Education and Labor. Amends the Service Contract Act of 1965 to extend its coverage to professional employees who are paid at a rate not exceeding the rate received by Federal Government employees in grade 15 of the General Schedule.

Requires that the minimum fringe benefits and salaries paid to such employees conform to the most recent National Survey of Professional, Administrative, Technical, and Clerical Pay issued by the Department of Labor.

H.R. 15229. August 23, 1976. Ways and Means. Amends the Internal Revenue Code to provide a single unified rate schedule for estate and gift taxes. Repeals the estate and gift tax exemptions. Substitutes for such exemptions a credit against estate and gift taxes.

H.R. 15230. August 23, 1976. Ways and Means. Amends the Internal Revenue Code to provide a single unified rate schedule for estate and gift taxes. Repeals the estate and gift tax exemptions. Substitutes for such exemptions a credit against estate and gift taxes.

H.R. 15231. August 23, 1976. Judiciary. Declares a certain individual lawfully admitted to the United States for permanent residence, under the Immigration and Nationality Act.

H.R. 15232. August 23, 1976. Judiciary. Declares a certain individual lawfully admitted to the United States for permanent residence, under the Immigration and Nationality Act.

H.R. 15233. August 23, 1976. Judiciary. Declares a certain individual lawfully admitted to the United States for permanent resi-

dence, under the Immigration and Nationality Act.

H.R. 15234. August 23, 1976. Judiciary. Declares a certain individual lawfully admitted to the United States for permanent residence, under the Immigration and Nationality Act.

H.R. 15235. August 23, 1976. Judiciary. Directs the Secretary of the Treasury to pay a specified sum to a certain individual in full settlement of such individual's claims against the United States arising from the termination of the claimant's employment status with the Department of the Navy.

H.R. 15236. August 23, 1976. Judiciary. Declares a certain individual lawfully admitted to the United States for permanent residence, under the Immigration and Nationality Act.

H.R. 15237. August 24, 1976. Interstate and Foreign Commerce. Reaffirms the intent of Congress with respect to the structure of the common carrier telecommunications industry rendering services in interstate and foreign commerce. Grants additional authority to the Federal Communications Commission to authorize mergers of carriers when deemed to be in the public interest. Reaffirms the authority of the States to regulate terminal and station equipment used for telephone exchange service. Requires the Federal Communications Commission to make specified findings in connection with Commission actions authorizing specialized carriers.

H.R. 15238. August 24, 1976. Interstate and Foreign Commerce. Directs the Federal Communications Commission to take steps as may be necessary to increase the channels available for use in the citizens radio service to 46 channels.

H.R. 15239. August 24, 1976. Public Works and Transportation. Authorizes the Secretary of the Army acting through the Chief of Engineers, to acquire lands, easements, rights-of-way, and complete relocations associated with Canyons 1 and 2 at Wenatchee, Washington.

H.R. 15240. August 24, 1976. Public Works and Transportation. Directs the Secretary of the Army, acting through the Chief of Engineers, to conduct hydrographic surveys of the Columbia River in Washington, for the purpose of identifying navigational hazards.

H.R. 15241. August 24, 1976. Education and Labor. Amends the Comprehensive Employment and Training Act of 1973 to require that employees of a prime sponsor who perform services relative to the manpower services program under such Act to be assured of working conditions and benefits comparable to those of other employees of such sponsor.

H.R. 15242. August 24, 1976. Veterans' Affairs. Directs that the premiums on National

Service Life Insurance be waived during any time after which the insured has attained the age of 65 and has paid premiums on the insurance for not less than 25 years.

H.R. 15243. August 24, 1976. Post Office and Civil Service; House Administration. Expands the prohibition of the employment by any public official of any relative of such public official in an agency in which such official serves or over which such official exercises jurisdiction or control to cover the Legislative branch.

H.R. 15244. August 24, 1976. Interior and Insular Affairs. Requires that electric power in the southwestern power area be sold at agreed points of delivery and at uniform, nondiscriminatory rates. Stipulates that agreed points of delivery shall not be changed unilaterally by the Secretary of the Interior.

H.R. 15245. August 24, 1976. Public Works and Transportation. Amends the Local Public Works Capital Development and Investment Act of 1976 to revise the criteria under which States and local governments are to be given priority in making public works grants during periods when the national unemployment rate exceeds six and one-half percent.

H.R. 15246. August 24, 1976. Education and Labor. Amends the Service Contract Act of 1965 to redefine "service employees" for purposes of Federal service contract labor standards.

H.R. 15247. August 24, 1976. Education and Labor. Amends the Occupational Safety and Health Act of 1970 to grant reasonable litigation costs, including attorneys' fees, to any employer who successfully contests a citation or proposed penalty before the Occupational Safety and Health Review Commission or an order of the Commission before an appropriate United States court of appeals.

H.R. 15248. August 24, 1976. Interstate and Foreign Commerce. Amends the Communications Act of 1934 to provide that no compensatory charge for or in connection with interstate or foreign communication by wire or radio may be found to be unjust or unreasonable because it is too low.

H.R. 15249. August 24, 1976. Armed Services. Permits the enlistment of Vietnamese and Cambodian alien refugees into the U.S. Armed Forces.

H.R. 15250. August 24, 1976. Judiciary. Permits the Attorney General, under the Immigration and Nationality Act, to adjust the status of any alien from Indochina to permanent resident without regard to immigration quotas or lack of possession by such alien of specified required immigration documents. States that such alien need only be eligible to receive an immigrant visa to qualify for such change of status.

SENATE—Tuesday, September 14, 1976

The Senate met at 11 a.m. and was called to order by Hon. DICK CLARK, a Senator from the State of Iowa.

PRAYER

The Chaplain, the Reverend Edward L. R. Elson; D.D., offered the following prayer:

O Thou whose word instructs us "to commit thy way unto the Lord; trust also in Him; and He shall bring it to pass," we commit this day and its labor to Thee. We ask not that our burdens be removed from us but for strength to carry them. We pray in this place for one another that together we may concert

our best endeavors for the Nation. Make us wise craftsmen in the art of government that the people be well served and Thy kingdom set forward. Keep us humble and watchful and prayerful, growing each day in the ways of the Master, in whose name we pray. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. EASTLAND).

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., September 14, 1976.
To the Senate:

Being temporarily absent from the Senate on official duties, I appoint Hon. DICK CLARK, a Senator from the State of Iowa, to perform the duties of the Chair during my absence.

JAMES O. EASTLAND,
President pro tempore.

Mr. CLARK thereupon took the chair as Acting President pro tempore.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Mon-

day, September 13, 1976, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

CONSIDERATION OF CERTAIN MEASURES ON THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Nos. 1139, 1143, and 1144.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ADDITION OF THE SALT CAIRN SITE TO THE FORT CLATSOP NATIONAL MEMORIAL

The Senate proceeded to consider the bill (S. 828) to provide for addition to the Fort Clatsop National Memorial of the site of the salt cairn utilized by the Lewis and Clark Expedition, and for other purposes.

Mr. HATFIELD. Mr. President, I strongly support S. 828, which would include the site of the salt cairn utilized by the Lewis and Clark Expedition, located at Seaside, Oreg., as a part of the Fort Clatsop National Memorial.

The availability of salt was of the utmost importance to the Lewis and Clark Expedition. The journals of the expedition tell us that during the preparations for the journey and on the trip itself the leaders were greatly concerned about having enough salt for their men. It was necessary because the strenuous physical activity involved in such an endeavor resulted in the loss of body salt, as well as to make their food more palatable.

When the expedition arrived at Fort Clatsop, Oreg., in December of 1805, it was imperative that their salt supply be replenished. Capt. William Clark wrote:

We having fixed on this Situation as the one best Calculated for our Winter quarters I determin'd to go as direct a Course as I could to the Sea Coast which we could here roar and appeared to be at no great distance from us, my principle object is to look out a place to make salt.

That place was found and a group of men spent 2 months producing 20 gallons of salt by a continuous process of boiling sea water in five "kittles." The site of that salt cairn is located in what is now Seaside, Oreg. The land is presently owned by the Oregon Historical Society which is willing to give it to the National Park Service as a satellite of the Fort Clatsop National Memorial.

Both the Oregon Lewis and Clark Trail Heritage Foundation Committee, headed by Dr. E. G. Chuinard, and the Oregon Historical Society strongly support S. 828.

Mr. President, the site of the salt cairn is presently not being cared for in an adequate fashion. Inclusion as a satellite site of the Fort Clatsop National Memorial will insure the protection that this area deserves.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

S. 828

Be it enacted by the Senate and House of Representatives of the United States of

America in Congress assembled, That, in order to include within the Fort Clatsop National Memorial the site of the historic salt cairn utilized by the Lewis and Clark Expedition while encamped at Fort Clatsop, which salt cairn and its related function of salt making were an integral part of the history, operation, and significance of Fort Clatsop, section 2 of the Act of May 29, 1958 (72 Stat. 153; 16 U.S.C. 450mm-1), is amended to read as follows:

"Sec. 2. The Secretary of the Interior shall designate for inclusion in Fort Clatsop National Memorial land and improvements thereon located in Clatsop County, Oregon, which are associated with the winter encampment of the Lewis and Clark Expedition, known as Fort Clatsop, including the site of the salt cairn (specifically, lot number 18, block 1, Cartwright Park Addition of Seaside, Oregon) utilized by that expedition and adjacent portions of the old trail which led overland from the fort to the coast: *Provided*, That the total area so designated shall contain no more than one hundred and thirty acres."

GEN. DRAZA MIHAILOVICH MONUMENT

The Senate proceeded to consider the bill (S. 2135) to authorize the construction and maintenance of the General Draza Mihailovich Monument in Washington, District of Columbia, in recognition of the role he played in saving the lives of approximately 500 U.S. airmen in Yugoslavia during World War II, which had been reported from the Committee on Rules and Administration with an amendment on page 2, line 4, strike out:

Such monument shall be located on public land within the District of Columbia, to be located according to plans approved by the National Capital Planning Commission, the Fine Arts Commission, and the Secretary of the Interior.

And insert in lieu thereof:

Such monument shall be of appropriate design and shall be located on Federal public land within the District of Columbia or environs. The design and location of the monument shall be subject to approval by the National Capital Planning Commission, the Fine Arts Commission, and the Secretary of the Interior.

So as to make the bill read:

S. 2135

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, pursuant to section 2 of this bill, the Secretary of the Interior shall permit the National Committee of American Airmen Rescued by General Mihailovich to construct and maintain a monument to General Draza Mihailovich, in recognition of the role he played in saving the lives of approximately five hundred United States airmen in Yugoslavia during World War II, as described in such committee's petition to Congress concerning the authorization of such monument. Such monument shall be of appropriate design and shall be located on Federal public land within the District of Columbia or environs. The design and location of the monument shall be subject to approval by the National Capital Planning Commission, the Fine Arts Commission, and the Secretary of the Interior.

SEC. 2. The National Committee of American Airmen Rescued by General Mihailovich shall accept private funds which shall be the sole source for the construction and

maintenance of such monument. The Secretary of the Interior shall only permit such committee to begin the construction of such monument when he determines that such committee has sufficient funds to complete such construction and to provide for such maintenance; except that such committee must have such funds no later than two years after the date of enactment of this Act.

Mr. THURMOND. Mr. President, I am pleased to rise in support of S. 2135, my bill to authorize the National Committee of American Airmen Rescued by Gen. Draza Mihailovich to erect a monument in Washington, D.C.

The monument is to be erected by funds solicited from the general public and will not cost American taxpayers one penny.

During World War II, the United States and Great Britain initially supported the nationalist resistance movement in Yugoslavia, led by Gen. Draza Mihailovich. Due to a tragic combination of errors and mistaken information, the Allies withdrew their support from Mihailovich at the end of 1943 and threw their weight behind the Communist resistance movement under the leadership of Marshal Tito.

Despite his abandonment by the Allies, and despite the merciless war waged against him by both the Communists and the Nazis during 1944, General Mihailovich and his forces, known as the Chetniks, succeeded in rescuing some 500 American airmen who were shot down over Yugoslavia. Most of these men were safely evacuated to Italy in a series of dramatic air rescue missions, which picked them up from the heart of Nazi-occupied Yugoslavia and flew them to Italy.

President Harry S. Truman in 1948 posthumously awarded the Legion of Merit to General Mihailovich for his services in rescuing American airmen, and for his larger services to the Allied cause. Unfortunately, the State Department kept the award to Mihailovich classified "secret" for almost 20 years, for fear of offending the sensitivities of the Yugoslavia Communist Government.

Now, more than 30 years after their rescue, a group of American airmen have organized themselves into a National Committee of American Airmen Rescued by General Mihailovich and have launched a movement to build a memorial in Washington, D.C., dedicated in gratitude to the man who saved their lives.

It is my understanding that the monument will be a simple one, bearing on one side a plaque listing the names of 500 American airmen rescued by General Mihailovich, and on the other side the text of President Truman's citation in awarding the Legion of Merit to General Mihailovich.

I want to pay particular tribute to a former colleague who has shown special interest in General Mihailovich, my good friend, former Senator Frank J. Lausche of Ohio, a son of Yugoslavian immigrant parents.

Mr. President, Senator Lausche wrote a foreword to a recent book about General Mihailovich, and I ask unanimous consent to include it in the Record at

the conclusion of my remarks, as it sets into historical perspective the great debt we owe General Mihailovich.

Mr. President, I also want to thank the cosponsors of this bill: Senators CANNON, HUGH SCOTT, HATHAWAY, DOMENICI, STEVENS, FANNIN, and GOLDWATER. I also want to pay particular tribute to the distinguished chairman of the Rules Committee (Mr. CANNON), who was of great assistance in moving this matter through committee.

Mr. President, I urge my colleagues to support this most worthy piece of legislation.

There being no objection, the foreword was ordered to be printed in the RECORD, as follows:

FOREWORD

(By the Honorable Frank J. Lausche)

(NOTE.—The Honorable Frank J. Lausche, the son of a Slovenian immigrant, has been a man of almost legendary stature in modern American politics. His qualities of leadership and statesmanship are reflected in his record as an elected representative of the people of Ohio for over 36 years.

(As a judge, he served 9 years in the municipal court of the City of Cleveland, and in Cuyahoga County Court (1932-41). He then served two terms as Mayor of Cleveland, from 1941 to 1944.

(Elected Governor of Ohio in 1945, he served through five terms in this office. This remarkable record of public trust in an elected office was unexampled in the history of Ohio—since the founding of the Republic no other governor has served more than three terms. When General Mihailovich was captured in March 1946, Frank J. Lausche, as Governor of Ohio, not only joined the Committee For a Fair Trial to Draza Mihailovich, but, at his own request, for the purpose of displaying his concern and indignation, he served on the Board of Directors of the Committee.

(Elected to the United States Senate in 1956, Senator Lausche served with distinction for 12 years, making a mighty mark both in the Senate chamber and in the Senate Foreign Relations Committee, of which he was a member. Sometimes described as a maverick, Senator Lausche has been a man whose absolute independence and integrity has commanded the respect of his foes as well as his friends. When he left the Senate in 1969, one of his many friends in the Senate said that it was "as though a mighty oak has fallen.")

In bringing together this historical documentation on General Draza Mihailovich, I believe the Serbian National Committee is serving the cause of history, the cause of America, and the larger cause of world freedom, as well as the cause of the Serbian people.

I was, therefore, honored by the invitation to write a brief foreword to the record that appears in the following pages.

I write this foreword out of a sense both of duty and of shame.

As an American, I bow my head in shame whenever I think of the terribly mistaken policy which led the Allied leaders in World War II to abandon General Draza Mihailovich and throw their support instead to the communist cohorts of Marshal Josip Broz Tito. It was an unbelievable aberration of policy and of justice perpetrated by the Allies.

Mihailovich was the first insurgent in Europe. It was he who first raised the flag of resistance to the Nazi occupier—and by his action he inspired the formation of resistance movements in all the subjugated countries.

He resisted the Nazis at the time when the

Soviet Union and the communists were still collaborating with them—and his early resistance, by slowing down the Nazi timetable, was probably responsible for preventing the fall of Moscow.

The contributions of Mihailovich to the Allied cause were the subject of tributes by General Eisenhower, General De Gaulle, Field Marshall Lord Alexander, Admiral Harwood, Anthony Eden, President Truman, and, at later date, of President Richard Nixon. For example, on August 16, 1942, three top ranking British officers, Admiral Harwood, General Auchinleck, and Air Marshal Tedder, sent the following joint wire to Mihailovich: "With admiration we are following your directed operations which are of inestimable value to the Allied cause."

Today no informed person takes seriously the communist charges that Mihailovich collaborated with the Germans, or the proceedings of the communist show trial in Belgrade which resulted in his execution. The communists made the nature of their justice clear when they announced, in advance of the trial, that Mihailovich would be executed after a fair trial. And they also made it clear when they refused to take the evidence of the American officers who served with him or of the American airmen who were rescued by him.

Colonel Robert H. McDowell, chief of the American mission to General Mihailovich, and perhaps the most experienced intelligence officer to serve with either side in Yugoslavia during World War II, took the time after the War to go through the German intelligence files on Yugoslavia. Not only did he find no evidence that Mihailovich collaborated with the Nazis, but he found numerous statements establishing that Hitler feared the Mihailovich movement far more than he did the Tito movement.

The communists also feared Mihailovich more than they did any other man. And that is why, when they executed him, they disposed of his shattered body in a secret burial place, so that those who followed him and revered him would not be able to come at night to drop tears and flowers on his grave and tenderly offer a few words of prayer in gratitude to General Mihailovich for his heroism and sacrifice.

But despite all of the abuse and all the precautions of the communists, the truth about Mihailovich—now grown to the proportions of a legend—still persists among the Serbian people. Evidence of this is the remarkable article on Mihailovich which Mihailo Mihajlov wrote for *The New Leader*, just before Tito's courts sentenced him to seven years at hard labor in early March of this year.

I think that it is fitting that we in the free world who are aware of the truth should also do everything in our power to set the record straight and to bring about the ultimate vindication before the bar of history—of one of the noblest figures of World War II.

Draza Mihailovich, in addition to being an outstanding soldier and a great national leader was a man who stood for everything that we in America believe in. He was a true believer in the rights enshrined in our own Declaration of Independence—the right to think and speak and pray in accordance with one's own religious, political, economic and social beliefs, without government restraint or repression.

The publication of this historical documentation is a first step in the direction of historical vindication. The next logical step—and one which, it seems to me, is dictated by simple decency—is that the United States Congress should accede to the petition of the American airmen that they have been authorized to erect in Washington, with publicly subscribed funds, a monument which they would dedicate, in gratitude, to "General

Draza Mihailovich, Savior of American Airmen."

Beyond this, there is still a larger debt which the free world owes to the memory of General Draza Mihailovich. It is my hope that this debt will some day be repaid in full through the liberation of his people from communist tyranny.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

REMOVAL OF LIMITATION ON APPROPRIATIONS

The Senate proceeded to consider the bill (S. 2946) to amend the act of July 2, 1940, as amended, to remove the limit on appropriations, which had been reported from the Committee on Rules and Administration with an amendment at the beginning of line 5, strike out "striking the phrase", not to exceed \$350,000," and insert "striking out '\$350,000,' and inserting in lieu thereof '\$600,000,'"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 7 of the Act of July 2, 1940 (20 U.S.C. 79e), as amended by Public Law 89-280, be further amended by striking out "\$350,000," and inserting in lieu thereof "\$600,000."

SEC. 2. The amendment made by the first section of this Act shall become effective on October 1, 1977.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

ORDER INDEFINITELY POSTPONING CONSIDERATION OF S. 3712 AND S. 3727

Mr. MANSFIELD. Mr. President, I ask unanimous consent that Calendar No. 1167, S. 3712, a bill authorizing the extension of the American Canal at El Paso, Tex., and for other purposes, and Calendar No. 1168, S. 3727, a bill to authorize the Secretary of the Interior to construct, operate, and maintain the Allen Camp unit, Pit River division, Central Valley project, California, and for other purposes, both be indefinitely postponed.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider a nomination on the executive calendar under New Reports.

There being no objection, the Senate proceeded to the consideration of executive business.

The ACTING PRESIDENT pro tempore. The nomination will be stated.

DEPARTMENT OF DEFENSE

The second assistant legislative clerk read the nomination of David Robert Macdonald, of Illinois, to be Under Secretary of the Navy.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

(Later the following occurred:)

Mr. GRIFFIN. Mr. President, earlier today the Senate voted to confirm David Robert Macdonald to be Under Secretary of the Navy. As in executive session I ask that the President be notified of the Senate's action.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate return to the consideration of legislative business.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. The Senate minority leader is recognized.

Mr. HUGH SCOTT. Mr. President, I yield back my time.

The ACTING PRESIDENT pro tempore. Under the previous order, the Senator from Connecticut (Mr. RIBICOFF) is recognized for not to exceed 15 minutes.

MISMANAGEMENT OF THE FEDERAL ENERGY ADMINISTRATION'S REGULATORY PROGRAMS

Mr. RIBICOFF. Mr. President, the Government Operations Committee has recently completed a review of the activities of the Federal Energy Administration to determine whether to extend the agency's mandate. The resulting legislation—the Energy Conservation and Production Act—extended the agency for a period of 18 months. During the course of our review, the committee uncovered some disturbing evidence of mismanagement of the FEA's regulatory programs.

As I am sure my colleagues well remember, the FEA was established at the time of the Arab embargo—a crisis which threatened the economic well-being and security of this Nation. The ramifications of the embargo were far reaching. The Nation needed an agency to implement programs to alleviate the impact of the shortage on the people of this country and to assure them that there would be equitable distribution and pricing of the available energy supplies. Thus, the FEA was established—its primary role was regulatory.

The Federal Energy Administration was to implement regulatory programs to assure the Nation of adequate energy supplies in the short term and long term. The problems inherent in the FEA's regulatory programs, however, cast serious doubts about their effectiveness in meeting the energy goals which were set by Congress. The FEA has the responsibility to develop regulations, implement regulatory programs and resolve regulatory cases.

There are two major problems in the

Federal Energy Administration's program implementation and both problems stem from a lack of leadership and serious commitment by the present Administration. First, FEA's procedures and processes for the development of its regulations are confused at best, and are arbitrary, capricious and deliberately slow at worst.

Second, the FEA has experienced severe problems in the enforcement and compliance area of its regulatory programs. The FEA has inadequate enforcement procedures and guidelines; has misdirected a limited number of staff; has confused and obscured the lines of authority and communication; has issued unclear and confusing regulations; and has mismanaged the regulatory caseload.

The problems in the agency's compliance efforts have resulted in a weak enforcement program. There has been little uniformity in enforcement policy and practice; the agency has been discriminatory in its enforcement actions—overzealous in its efforts toward smaller firms. The agency has made it extraordinarily difficult for industry to comply with its regulations, because of completely incomprehensible language and procedures, which are constantly being revised. The agency has a notorious reputation for lengthy delays in processing exceptions and appeals cases. FEA has been charged with conducting superficial and inadequate audits—at all levels of review.

Let us examine, as one example of mismanagement by the agency, FEA's auditing record. Shortly after the agency was established the General Accounting Office prepared for the Government Operations Committee several reports on this important matter. The GAO reported that the FEA had conducted almost no direct audits of crude oil producer operations. GAO found that the FEA had concentrated its audits at the retail level, in spite of evidence of significant violations at the wholesale level where little audit effort had been directed. FEA's audits of refiner operations were found to be uncompleted. GAO found that substantive issues relating to the adequacy of regulations were unresolved which necessitated constantly changing regulations. Finally, the GAO reported that organizational disputes within FEA hindered the refinery audit effort.

One year later the Subcommittee on Administration Practice and Procedure held hearings on FEA's enforcement of petroleum price regulations. The subcommittee hearings revealed the FEA had done little to correct serious problems in the development and implementation of its enforcement programs. The subcommittee's report stated:

FEA's compliance efforts as of the time of the subcommittee hearings must be characterized as woefully inadequate, confused, and and ineffective.

In the subcommittee's judgement, FEA's enforcement program was so overwhelmed by problems that it was rendered virtually ineffective. In effect, the

FEA was still not doing an adequate job of investigating and processing the audit requirements of price regulation.

Government Operations Committee's review—1 year later—confirmed that many of the weaknesses of FEA audit activities still exist. The agency continues to demonstrate that enforcement of price regulations is a low priority by failing to correct the administrative and programmatic difficulties which the programs have experienced since their initial implementation. Further, the agency has never allocated adequate personnel to do an adequate job.

It is important for us to look at who suffers, because of this mismanagement and lack of concern by the Federal Energy Administration. Most of the policies established by Congress, which the FEA is required to enforce, were enacted in order to promote stability in energy prices for consumers and to assure consumers that unreasonable profits would not result from supply shortages. The inadequate enforcement of regulations assures no one that the oil industry is playing by the rules.

The Federal Energy Administration is an agency to which Congress has given critical responsibilities. These responsibilities affect the economic well-being and security of this Nation. The proper implementation of these responsibilities is crucial to the Nation's energy future. Without proper management and serious commitment to solving our energy problems, this Nation will remain in the position of struggling for its energy independence.

Mr. President, I yield back the remainder of my time.

The ACTING PRESIDENT pro tempore. Under the previous order, the Senator from Utah (Mr. MOSS) is recognized for not to exceed 15 minutes.

MISMANAGEMENT, FRAUD, AND ABUSE IN MEDICAID AND MEDICARE

Mr. MOSS. Mr. President, the American people will be deciding over the next 6 weeks what kind of leadership our country will have, both in the Congress and in the White House. We do not need a crystal ball to tell us what the future holds if one party or the other is chosen to forge the policies that will lead America next year. An examination of the record is all we need—past performance is a good indicator of future directions.

But even before specific policy is set, there is a very important part of the ability to lead, and that is the ability to provide sound management.

We on this side of the aisle are the perennial targets of the administration when it comes to spending and wisely administering programs. They claim it is they who are the most knowledgeable in sound management, but Mr. President, this is a myth, for the present administration has set a clear record of mismanagement for the American public to see.

Mr. President, today my distinguished colleague Senator RIBICOFF has spoken and Senator HATHAWAY and Senator

CHILES will follow in talking about the administration's record of mismanagement in a wide range of areas—health care, energy, budget and management, and alcoholism and drug abuse. I think it is very important to point to the record, for in it the public will see a better picture of the clear choice of leadership that is before it.

As chairman of the Subcommittee on Long-Term Care of the Senate Special Committee on Aging, I have been acutely aware of the need for important reforms similar to those introduced by Senator TALMADGE last week in his Medicare and Medicaid Antifraud Act.

The record has been all too clear. Since July of 1969, my subcommittee has conducted some 27 hearings dealing with fraud and abuse in the nursing home field. We have drafted the bulk of a 12-volume report with our recommendations, which we have presented to Congress.

Since last September, we have had a number of hearings which investigated fraud and abuse in areas of the medicare and medicaid programs associated in one way or another with long-term care. From all of these hearings, it is my conclusion that fraud and abuse are present in both these programs and rampant in the medicaid program. But even more important is the fact that the reprehensible system of dual-track medicine, which provides one standard of care for the rich or comfortable and another for the poor, still exists. Yet medicare and medicaid were enacted precisely for the purpose of making quality health care available to all Americans regardless of their age, their location, or their economic status.

Federal responsibility for mismanagement, fraud, and abuse in the medicaid program has been of continuing concern to several committees of the Congress. My own subcommittee has been critical of the enforcement of nursing home standards by the Department of Health, Education, and Welfare, and has chided the department for its failure to head off fraud and abuse among clinical laboratories. The Oversight Subcommittee of the House Interstate and Foreign Commerce Committee, under the chairmanship of Representative JOHN MOSS of California, has been critical of the department's failure to withhold funds from those States which have not established effective utilization review procedures. Senator TALMADGE, of course, has expressed his concern with his recent introduction of a Medicare and Medicaid Antifraud Act which proposes to create a central fraud and abuse control unit and increase the department's ability to prevent and prosecute fraud. Senator SAM NUNN, as chairman of the Oversight Subcommittee of the Senate Government Operations Committee, has also revealed his misgivings about the administration of some aspects of the medicaid program. Finally, Representative L. H. Fountain and his Subcommittee on Intergovernmental and Human Resources of the House Government Opera-

tions Committee have studied this matter in detail.

Not surprisingly, all of these groups have had findings with much in common. The management of the medicaid program leaves much room for improvement. Michigan, New Jersey, California, and a few other States seem to be doing an excellent job. Most States, however, are not. HEW has been either unwilling or unable to require these States to meet their responsibilities under the medicaid law, which places responsibility for policing fraud and abuse squarely on the shoulders of the States themselves.

These problems are not new. In fact, the operation of New York State's medicaid program alone has been the subject of more than 100 reports in the last 10 years. These reports have been largely ignored on both the Federal and State levels, and the weaknesses they detailed have continued or progressed. The Division of Social and Rehabilitation Services of the Department of Health, Education, and Welfare has taken the position in the past that the States should be acting to detect and prosecute fraud and abuse. However, a report of the General Accounting Office, issued in April of 1975, correctly pointed out that HEW has responsibilities of its own. Specifically, the Department can withhold funds, or, under certain conditions, impose less severe monetary penalties if States do not comply with Federal requirements.

The GAO report added the following facts. First, between October 1, 1969, and September 30, 1974, HEW regions reported 2,300 cases in which States failed to comply with medicaid requirements. However, HEW had yet to impose any monetary penalty against any State. Second, 20 States had never referred a suspected medicaid fraud case to State or Federal law enforcement agencies for appropriate action. The report noted that improved coordination of State medicaid fraud and abuse investigations with medicare was necessary. A combined medicare-medicare investigative unit, it concluded, would improve HEW's ability to investigate fraud and abuse in both programs.

In January of this year, Representative FOUNTAIN's subcommittee released its findings based on lengthy hearings held in April, May, and June of 1975. Among the conclusions cited in the report were the following:

First, that HEW is currently responsible for about 300 separate programs involving annual expenditures exceeding \$118 billion. Because of the size and complexity of its activities and the lack, in many instances, of direct control over expenditures, HEW's operations present an unparalleled danger of enormous loss through fraud and abuse;

Second, that HEW officials responsible for detection and prevention of fraud and abuse lack reliable information concerning the extent of losses from such activities;

Third, that fraud and abuse in HEW programs are undoubtedly responsible for the loss of many millions of dollars each year;

Fourth, that HEW units whose responsibility it is to detect and prevent fraud and abuse are not organized in any coherent pattern designed to meet the overall needs of the Department;

Fifth, that personnel in most fraud and abuse units of HEW lack necessary independence and are subject to potential conflicts of interest, because they report to officials directly responsible for managing the programs those units are investigating;

Sixth, that under current organizational arrangements, there are little or no guarantees that the Secretary will be kept informed of serious fraud and abuse problems, or that action necessary to correct such problems will be taken;

Seventh, that the resources HEW devotes to prevention and detection of fraud and program abuse are extremely inadequate. I should add here that I am not impressed by the recent decision of our well-meaning Secretary to employ the bulk of the some 100 new medicaid investigators in a series of lightning raids on various States to root out evil and then move on. I suggest that we need an aggressive and continuous pressure exerted against those who would abuse the system rather than this kind of transitory foot patrol.

Finally, the Fountain report concluded that there are serious deficiencies in the procedures used by HEW for the prevention and detection of fraud and program abuse. The subcommittee's investigation disclosed instances in which it took as long as 5 years or more for HEW to take corrective action after deficiencies in its regulations became known. Part of the blame can be attributed to cumbersome procedures for changing regulations; however, some delays were so lengthy as to indicate the almost total lack of any sense of urgency.

In February of this year, the General Accounting Office issued another relevant report, this one analyzing the factors behind the rising costs in the medicare and medicaid programs during their 10-year history. The report stated that—

Congress passed two important acts to help control Medicare and Medicaid costs—the 1967 and 1972 Amendments to the Social Security Act. HEW has been slow in issuing regulations and carrying out many of the provisions of these acts.

The current administration's record on medicare and medicaid has been singularly unimpressive. Despite repeated criticism of HEW from a wide variety of sources, no action has been taken. With regard to medicare, the President, in his 1976 state of the Union message, proposed to the Congress a program of catastrophic health insurance for the elderly. Essentially, the proposal called for increasing the out-of-pocket payments of medicare beneficiaries. Senator FRANK CHURCH, chairman of the Special Committee on Aging, noted in his response that the President's plan would add nearly \$1.3 billion to the out-of-pocket payments of aged and disabled participants. He also pointed out that the overall impact of such a proposal would serve

to benefit less than 3 percent of the users of the medicare program.

Dr. Mary Mulvey, vice president of the National Council of Senior Citizens, told a Senate hearing that the President's catastrophic proposal—

... imposes upon the elderly \$2 billion more than they are paying now, and provides a paltry \$500 rebate in the form of catastrophic coverage, the result being a Federal budget savings of \$1.5 billion at the expense of the elderly, sick, and disabled. Implications are that the Federal budget will be balanced on the backs of the elderly, sick, and poor.

I think it is time to change this pattern of inaction, of shirking responsibility, of "passing the buck." We are talking about health care for millions of Americans. An estimated 28 million are eligible for benefits under medicaid alone. We can no longer tolerate administrative attempts to place the burden of a faulty system on those who should be receiving the benefits of that system. The medicare and medicaid plans were supposed to make certain that all Americans received the finest health care possible regardless of their age or their ability to pay for that care. To date, they have not done so. We must see that they do so in the future.

Mr. President, I think that the programs that we authorize in Congress and for which we appropriate money should be managed with efficiency and dispatch and with care. I think we have not been having that sort of management in the health care field, or the health care for the elderly field. For this reason, I think there must be a change made in the administration so we can get that kind of efficient management.

Mr. President, I yield the floor.

I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. CHILES. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The Senator from Florida is recognized.

THE ADMINISTRATION'S MANAGEMENT PROBLEMS

Mr. CHILES. Mr. President, we hear a lot of talk today about big government and bureaucracy running wild. The issue I want to address is, "What is the Ford administration doing about these management problems?"

We all know how important the continuing pressure for efficiency from the President's management arm can be in controlling the tendency of individual Federal agencies to grow and balloon at the expense of everybody else and the Government as a whole.

Increasingly, I hear from the Nation's Governors, the mayors, the State and local officials—including those in my home State of Florida—that President Ford's management arm, the White House Office of Management and Budget—OMB—

Is not managing;

Is not coordinating; and

Is not controlling the way different Federal agencies go about sticking duplicative regulations and redtape requirements on Federal assistance programs.

Repeatedly, the question I hear asked is, "Where is the 'M' in President Ford's OMB?"

I think I know the answer—it is being suffocated. And if Congress does not keep up its diligent oversight, it will be abandoned completely. Effective management requires a strong Executive at the top, and that is something we are sorely lacking in this administration.

Mr. President, the Federal Government now spends over \$60 billion a year in Federal grants to State and local governments to meet a wide range of national objectives—in law enforcement, civil rights, environmental protection, transportation, education, housing, and health.

The programs now number over 1,000.

With increased spending and number of programs comes increased bureaucracy. It is this piecemeal, never-ending, incremental growth of bureaucratic actions that produces regulations, promotes redtape, and overwhelms our citizens.

Some regulation is necessary for accountability purposes. But the seemingly uncontrolled irrationality that we have today is unreasonable. It is a major cause for cynicism and distrust of government. Steps have been taken to restore confidence.

This is a theme that both Presidential candidates are taking. I noted last January that Mr. Ford talked to the Mayors Conference about the benefits of consolidating categorical grant programs.

He told the Governors at the Governors Conference last February:

We must clarify and we must simplify the complex, frustrating and inefficient regulations in categorical grant rigidity that invite abuses and rip-offs.

The President is proposing block grants as the whole answer. In theory, we all think the concept of block grants is good. State and local managers do need more flexibility to meet local needs. The categorical nature of many grant programs is one problem.

But there is so much more that can be done. We must go beyond the surface approach of saying, "Consolidate programs and all your problems will be solved."

The essential need, the gut question, is executive leadership and better governmentwide management. In Mr. Ford's White House, there is little central management concern with the discretionary action of Federal bureaucrats in the executive branch that promote much of the incredible redtape we see in both block-grant and categorical programs. Instead we have confusion, complexity, and chaos with no guiding light to lead us out of the morass.

Let me give an example of what I am talking about. In recent hearings before my Subcommittee on Federal Spending Practices, I asked a number of State witnesses from different Governors' offices whether they found themselves still

stuck with unnecessary redtape and regulations under block-grant programs.

The unequivocal answer from each of them was—

Yes, we continue to struggle with same types of problems we have in categorical.

Governor Askew has showed me the stack of regulations for the "block-grant" law enforcement program, LEAA. The stack goes clear to the ceiling.

The State witnesses stressed the need to have the Federal Government, the executive branch, manage itself and not to have the different agencies going off in their own divergent ways.

Their message was clear: Mr. Ford's OMB does not have any interest in taking a leadership role in managing the Federal agencies.

That is what is needed to cut the redtape and headaches that our State and local governments face. That is why our citizens feel overburdened with Federal grant programs. Lack of leadership translates directly as unresponsive government.

Let me quote what one of our Nation's Governors—Gov. Phil Noel of Rhode Island—said in testimony before this Congress:

I would like to point out what I believe may be the root of the continuing problem: That is, the general lack of concern on the part of the U.S. Office of Management and Budget for actually managing the Federal Government... after years of talking about the problem with the establishment of the Office of Management and Budget, and a Federal Government-wide effort to identify and correct duplicative, burdensome, and unnecessary red tape, we still see:

No evidence of a concern for on-going management oversight of the agencies by OMB.

Lack of follow-up or enforcement of already existing Federal management directives.

No evidence of a central clearance point for approval and coordination of new procedures, rules and regulations.

No apparent system to make use of the numerous study reports and management recommendations published from time to time by the General Accounting Office.

Let me quote further from a recent newspaper column written by Mr. Neil Pierce, entitled "Recolonizing America:

Most of the State and cities criticism of Washington is attributable to the Federal Government itself—a product of the inertia in the bureaucracy and Federal mismanagement of the intergovernmental affairs.

Mr. Ford's OMB has the authority to correct this mismanagement problem. Under his leadership, it is not being done—and the Governors and mayors of this country know it, the people sense it.

It sounds like whether there is an "M" in OMB is a political issue in a campaign year. What is going on in the Ford administration is a classic example of, "Listen to what we say but don't watch what we do."

Mr. Ford cannot have it both ways. When he campaigns on bureaucratic inefficiency and the need to cut redtape and simplify grant programs to State and local governments it is time we remind him about what is not getting done

in his own house. The voters in this country want results, not rhetoric.

Mr. President, Mr. Ford's mismanagement of intergovernmental affairs and the \$60 billion-plus grant program to our State and local governments is just one case.

In the \$70-billion-a-year Federal procurement program, where Federal agencies buy for their own use items that range from paperclips to multibillion dollar weapon programs, it was this Democratic Congress which insisted on putting an "M" in OMB. By legislation which the White House opposed, kicked, and screamed about, the 93d Congress created an Office of Federal Procurement Policy in OMB and laid out a set of reform objectives for the Administrator. Through oversight hearings and the pressure exerted by this Democratic Congress some genuine progress is being made in—

Controlling the Federal agencies;
Eliminating bureaucratic duplication;
Cutting redtape; and
Saving the taxpayer money.

Steps have been taken to modernize purchasing specifications, enhance competition, and improve the Federal Government's behavior toward its private sector suppliers—it should not take, as it does today, 2 pounds and 120,000 words worth of specs to sell Uncle Sam a mousetrap.

Steps have been taken to combine the domestic and defense procurement regulation systems into one streamlined system—the businessman should not have to deal with two overlapping systems.

Most importantly, steps are being taken to reform the buying of our major system acquisitions, such as our multibillion dollar weapon systems. We are going to require the bureaucracy to play by a set of rules that will—

Let the Congress in on the front end of decisionmaking before commitments get made;

Require better hardware competition; and

Make for fewer escalating cost overruns.

The potential for savings here is in the billions.

If it were not for the Congress, which passed the law, created the mandate, and pressured for action, none of these steps would be taken.

Much remains to be done. But we need an administration that does more than just talk about "management"—we need one that understands what it is and moves forward with ability and leadership.

The present administration displays neither. Instead, the "M" in Mr. Ford's OMB is being ignored unless we push.

It is time for a Chief Executive who makes management a priority.

Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATHAWAY. Mr. President, I

ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. CHILES). Without objection, it is so ordered.

Under the previous order, the Senator from Maine (Mr. HATHAWAY) is recognized for not to exceed 15 minutes.

ALCOHOLISM AND DRUG ABUSE

Mr. HATHAWAY. Mr. President, I am certain that all of my colleagues on this side of the aisle have noted with pride and gratitude the periodic efforts of our distinguished majority leader, Senator MANSFIELD, to summarize the achievements of the 94th Congress. We are all the more grateful to him, because so many of those achievements have been attained precisely because of this expert leadership and guidance. He will be sorely missed by all of us who have served with him in the past—and perhaps even more so by those who will not begin to serve in this body until after he has retired.

At this stage in the 94th Congress, I believe it is incumbent upon more of us to take a moment out of our schedules to follow the example of the distinguished Senator from Montana and to summarize for our colleagues and for the public those things which have transpired legislatively in our own particular areas of expertise.

This becomes increasingly true because of the impending election, the brief, but intense, flurry of charges and countercharges that mark a Presidential campaign more often tend to distort genuine governmental accomplishments than to extoll them. When the person making the charges is the President of the United States, then reality too often disappears forever in the tangled undergrowth of political rhetoric. And when that President has attempted to rule by political rhetoric for his entire term in office, it is time for an angry Congress to stand up to him and remind him of a few facts.

It is for that reason I have agreed to participate in this ongoing colloquy this morning.

The subject matter for my brief remarks will be the fields of alcoholism and drug abuse. At the beginning of this Congress, I assumed chairmanship of the Subcommittee on Alcoholism and Narcotics of the Labor and Public Welfare Committee. At that time, I had no idea that this area was such a prime subject for political and rhetorical abuse. As I said in my first appearance before Senator MAGNUSON's Labor-HEW Appropriations Subcommittee, I came to this field with considerable enthusiasm, in the belief that "the quality of a society may be measured in terms of its attention to its least fortunate members." Within a matter of months, however, I became disabused of any such illusions.

For it rapidly became apparent that this administration was adept at talking out of both sides of its mouth on both issues—alcoholism and drug abuse—and that the recent history of administration

policy leadership in both fields has been a dismal one.

With regard to drug abuse, for example, both the Nixon and Ford administrations had made many of the right moves and decisions—but for all the wrong reasons.

"Crime in the streets" and addiction and drug abuse among returning Vietnam veterans—also, indirectly, a crime-fear issue—were cited as the two principal reasons for the greatly increased attention to drug abuse treatment by Nixon in the early 1970's. Thus, the approach taken to treatment, research, and education against drug abuse was predicated from the beginning upon fear, rather than upon concern for an individual's health.

This resulted in a scare-tactic, law-enforcement approach to drug abuse treatment that remains the administration's policy today, even though it has been substantially discredited in other quarters.

This approach was summarized last September in the President's own Domestic Council White Paper on Drug Abuse, which said:

The availability of treatment gives the drug user who finds drugs becoming scarce and expensive an alternative. The problems this creates for users by high prices, impure drugs, uncertain doses, arrests, and victimization by other drug users can be reduced by making a range of treatment easily available to users.

Treatment needs are defined largely in terms of fallout resulting from stricter enforcement. The result is a thinly disguised bias toward the criminal approach—a bias that even the White Paper's authors admit was discredited in the 1950's and 1960's.

Most recently, that approach has been discredited still another time in the State of New York, whose tough, enforcement oriented law was the clear model for the President's current policy. Only 3 days ago, the Washington Post, in a tough nonsense editorial, said:

Little by little, evidence is accumulating that harsh penalties for drug addicts and low level street sellers is not the answer some had hoped it would be to the narcotics problem.

In point of fact, far from discouraging drug users, such laws seem only to thrust them into positions of greater defiance of social and legal norms. Continues the Post editorial:

Even if a jurisdiction could sweep all its addicts into jail, the experience suggests that another generation of thrill-seekers and reality-escapees would find its way to this insidious drug.

Indeed, one recent study would seem to bear this out, by isolating this alarming fact: In addition to the estimated 400,000 heroin addicts present in the country today, there also appear to be upward of 4 million individuals who buy and use heroin regularly without becoming physically addicted, much as individuals have come to use drugs like cocaine or hallucinogens.

Yet notwithstanding evidence piling up of the inadequacy of an enforcement-

biased drug abuse policy, the President—out of political expediency—presses ahead with his effort to sell bits and pieces of this policy, such as the mandatory minimum penalties bill he is promoting at this time.

I ask that the full text of the Post editorial be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. HATHAWAY. Meanwhile, actual drug abuse treatment policies are themselves treated to a healthy dose of the bureaucratic mumbo-jumbo which marks the reality, rather than the rhetoric, of this administration's approach.

While the Drug Abuse White Paper admitted that "conditions are worsening, and the gains of prior years are being eroded," for example, and called for "increased efforts on every front," the actual solution proposed was to achieve "greater efficiency" in managing drug abuse treatment programs and to achieve a greater commitment of—and I quote—the "enormous potential resources" of State and local governments to this area.

I do not know which State or local governments Ford has been visiting recently—but none in my experience have access to what I would even remotely call enormous potential resources. And in fact, the opposite is more often the case—particularly in our largest cities, where the drug abuse problem is worst.

That recommendation is only the most obvious example of the vacuum that exists in effective drug abuse policy leadership in this administration. Yet congressional recommendations for filling that vacuum have fallen on deaf ears. They have been met with the obdurate response that it is sufficient to leave things as they are—with a fractious profusion of Cabinet committees and task forces and strategy councils, responsive neither to Congress nor to the public, with hard policies made ultimately by low-level functionaries in OMB, with red pencils and pocket calculators.

Congress has chosen not to accept the perpetuation of this system, in which drug abuse policy is made and carried out by individuals with no degree of personal accountability.

Congress has chosen instead to require the President to set up an Office of Drug Abuse Policy, to provide centrally accountable coordination of both the drug supply and drug abuse demand reduction efforts. This is no large-scale bureaucracy we have set up—it is intended instead to produce a system where policies are made in the daylight, and are argued and debated and discussed by, with and for the people who would be legislating those policies—as well as the people in State and local governments, who would ultimately be carrying them out.

We had such an office—the Special Action Office for Drug Abuse Policy—SAODAP—until it went out of existence last year, at the insistence of President Ford. But while we agree that there is no need in the Office of the President for

the type of programmatic administration SAODAP had, the recent lack of response to congressional decisionmakers of current OMB and Domestic Council drug abuse policy personnel led us to the inescapable conclusion that a new, publicly responsible leadership—

One which can be called before Congress to explain his activities;

One which cannot sit in a back room at the White House refusing to come out—as the authors of the white paper have done since last October when the Committees on Labor and Public Welfare and Government Operations jointly demanded that they come and testify on their white paper report.

So Congress proceeded to enact such an office last spring, as part of legislation extending our federally funded drug abuse treatment programs. But while the President signed that measure, he made it clear that he wanted no part of this increased accountability for his policy measure. In what sounded to me suspiciously like an unlawful item veto, Ford announced that he would not implement the congressional mandated office.

And when Congress actually appropriated money for that office, in its final 1976 supplemental appropriations bill, the President simply refused to spend it, sending instead a rescission message to reiterate his obstinacy. And that is where the situation stands today—with Congress thus far refusing to permit the rescission—but, as a practical matter, with enlightened, coordinated drug abuse policymaking dead for the remainder of this administration.

Mr. President, I realize that I am exceeding the time allotted to each Senator for participation in this colloquy this morning, even with this relatively brief summary of administration mismanagement of Federal drug abuse policy. Thus, while I had intended to explore mismanagement of alcoholism programs in this statement as well, I will limit myself to a brief statement on this subject at this time. I have made many statements on this subject this year. I refer my colleagues more specifically to my statements in the RECORDS of March 29, at page 8395, and June 29, at page 21243.

If this administration's approach to drug abuse policy has been marked with inconsistency, its efforts to contend with the far wider health problem of alcoholism has been more a product of callous indifference.

Federal alcoholism treatment, prevention, and research programs have only been in existence since the early 1970's—and they only came about at that time through the stubborn persistence of my distinguished colleagues, including Senators HAROLD HUGHES, JACOB JAVITS, and HARRISON WILLIAMS.

But while there are many more alcoholics and alcohol abusers than drug addicts in America today, there has been even less support and greater mismanagement of these programs within the central White House policymaking bodies than there has in drug abuse. I cannot help but ask cynically whether this might

not be due to the greater "sex appeal" of drug abuse as a campaign issue, rather than to any consciously coordinated decision to highlight drug abuse and downgrade alcoholism.

Briefly, alcoholism treatment, prevention, and research has been funded over the past 5 years only with the greatest reluctance by this administration. Budget requests in this area have averaged over \$50 million less than actual appropriations in each of those years. In fiscal 1972, for example, the President's budget request was \$34.7 million, while the final appropriation was \$84.6 million. In fiscal 1973, the budget request was \$75.8 million, while the final appropriation was \$156.4 million.

The escalations in both categories were due, not to any fiscal irresponsibility on the part of either branch of Government, but rather to the wide-eyed amazement of the Federal Government at the breadth and scope of this terrible health problem.

By 1973, the administration had further compounded its mismanagement by unlawfully impounding a huge chunk of the HEW alcoholism budget. When Congress, through lawsuits, finally forced the expenditure of that money, it was with the requirement that it all be spent quickly, making effective policy direction even more difficult, and creating management problems that persist even until today.

This roller-coaster funding approach has taken its toll on the effectiveness of our Federal alcoholism efforts. The development of alcoholism prevention programs has been effectively sidelined for lack of consistent support. Research has been downgraded and exiled to a medical Siberia in a broken-down, unaccredited mental hospital, with a total annual budget less than 1 percent the size of the budgets for the other two leading medical problems in the Nation—cancer and heart disease.

And this lack of support is evident in budget requests made as recently as last week, when the President asked for just \$100 million to fund programs budgeted at \$155 million during the previous fiscal year. Ford's theory in presenting this request is that the rest of the support is expected to come from his thoroughly discredited health block grant proposal, which stands no chance at all of congressional enactment.

Mr. President, I ask that an earlier statement I made regarding the inadequacy of this block grant proposal be inserted in the RECORD at this point.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the RECORD of March 29, 1976]

One major proposal considered and rejected by the committee was put forward by administration witnesses and involved the incorporation of funding for alcoholism activities into a \$10 billion block grant to States. The purpose of this proposal is to consolidate many health programs currently administered by the Federal Government into one lump sum block grant to the States.

Alcoholism programs would be funded from the 5 percent of the grant required to

be set aside for a number of community and environmental health programs, including mental health, maternal and child care, rat control, lead-based paint programs, venereal disease programs, and others.

The administration testified that their block grant proposal "will include the present alcoholism program with a number of other categorical authorities as part of a single administration initiative in the health care area. It would seem reasonable that—the States and localities are ready and able to deal with the problem at their levels—in the context of the regular community care system, through the financial assistance for health care program."

The administration pointed to the success of the NIAAA as a reason for shifting responsibility to State and local governments. Stated Deputy Assistant Secretary for Health, James F. Dickson III:

"The accomplishments listed above reinforce our belief that States and localities are ready to assume responsibility for addressing the problem, especially since the stigma associated with alcoholism has decreased. States have enacted the Uniform Act and treatment and rehabilitation programs have greatly expanded."

There is an element of irony in the administration's glowing assessment of NIAAA accomplishments, since for the past 3 years this same administration has sought vigorously to destroy the Institute through impoundments, understaffing, and starvation level budget requests. As the committee report states, we are relieved to hear that the long congressional struggle to keep the Federal alcoholism effort alive has finally convinced the administration that there have been Federal successes in this area. The committee hopes that future administration support for the Institute and its programs will reflect this new found enthusiasm.

Mr. HATHAWAY. Fortunately, Mr. President, Congress has consistently rejected the administration's efforts to shortchange alcoholism treatment, prevention, and research. This year, for example, we wrote legislation extending Federal programs for 3 years, and improving them in several major ways—as we did last spring for drug abuse treatment. And with alcoholism, as with drug abuse, the President once again had no choice but to sign the legislation, despite his apparent opposition to an adequately funded program. And notwithstanding the wholly inadequate budget request, I believe Senator MAGNUSON, who chairs the Labor-HEW Appropriations Subcommittee, will continue to do the fine job he has always done in insuring that these programs will not shrivel and die, as they would if Ford and his OMB henchmen get their way.

EXHIBIT 1

[From the Washington Post, Sept. 11, 1976]
DRUG ABUSE AND DRUG LAWS

Little by little evidence is accumulating that harsh penalties for drug addicts and low-level street sellers is not the answer some had hoped it would be to the narcotics problem. In September 1973 Vice President Rockefeller, then governor of New York, signed into law the harshest anti-drug statute in the country. Its mandatory life sentence for persistent pushers was the provision that made the headlines. But the law was rich in other punitive provisions. Today, three years later, the New York drug law appears to have had no effect on New York's drug traffic; indeed, the tentative conclusions of the most careful study of the law available suggest that

its enactment may have made things worse. There are fewer people being convicted for drug offenses in New York today than there were before the law was passed. It has cost \$55 million so far to administer. And its greatest impact appears to be on addicts who are going before the courts for the first time.

The New York Drug Law Evaluation Project, which has been studying the impact of the law, says there have been "fewer dispositions, convictions and prison sentences" for drug violations since the law was enacted. With a bit of ballyhoo, New York State set up a special court system to deal with drug crime. Now, according to the staff of the drug evaluation project, the productivity of those drug courts is below that of the courts whose notorious overcrowding they were created to avoid.

The reason is that given the nature of the law—no plea bargaining allowed, fixed sentences upon conviction—practically everyone prosecuted under it insists on a jury trial. The demand for jury trials in the drug courts has more than doubled over such demands under the old laws. And defendants' court appearances have risen 50 percent, with most defendants now appearing 20 times between indictment and disposition. Because the defendants know that conviction means a certain—and harsh—prison sentence, they use every tactic of delay at their disposal.

There has to be a better way to cut the demand for drugs than by resort to draconian remedies, especially since they don't appear, on the basis of this record anyway, to work especially well. Even if a jurisdiction could sweep all its addicts into jail, the experience suggests that another generation of thrill-seekers and reality-escapers would find its way to this insidious drug. A better place to focus attention would be on the sources of supply. There are those who doubt the efficacy of such an effort, but no one can doubt that going after supply makes more sense than spending \$55 million to put away people who have been arrested for the first time on drug charges.

For many years, public officials have been promising a crackdown on the "major sources of supply," as it is often put. But so far there has been no plan put into effect that touched those "kingpins" who import the heroin, wholesale it and make the huge profits. Until that very large element of profit has been removed from the drug trade, addicts will flock to the dealers and to the jails, and nothing will change.

QUORUM CALL

Mr. HATHAWAY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ALLEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ALLEN. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. ALLEN. Would it be in order to move that the Senate adjourn sine die at this time?

The PRESIDING OFFICER. It would be in order.

Mr. ALLEN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

HOUSE CONCURRENT RESOLUTION 745—CORRECTING THE ENROLLMENT OF S. 327

Mr. MANSFIELD. Mr. President, I ask that the Chair lay before the Senate a message from the House on House Concurrent Resolution 745.

The PRESIDING OFFICER. The resolution will be stated.

The assistant legislative clerk read as follows:

House Concurrent Resolution 745, correcting the enrollment of S. 327.

The PRESIDING OFFICER. Is there objection to the present consideration of the concurrent resolution?

There being no objection, the concurrent resolution (H. Con. Res. 745) was considered and agreed to.

QUORUM CALL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER. The unfinished business is H.R. 13367.

ORDER TO VITIATE REMAINING SPECIAL ORDER

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the remaining special order be vitiated.

The PRESIDING OFFICER. Without objection, it is so ordered.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of routine morning business for not to exceed 15 minutes, with statements therein limited to 5 minutes.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask

unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

RECESS UNTIL 1 P.M.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate stand in recess until 1 p.m.

There being no objection, the Senate, at 11:49 a.m., recessed until 1 p.m., whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. ALLEN).

The PRESIDING OFFICER. The Chair, acting in his capacity as a Senator from the State of Alabama, suggests the absence of a quorum. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATHAWAY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HATHAWAY. Mr. President, what is the pending business?

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Roddy, one of his secretaries.

APPROVAL OF BILLS

A message from the President of the United States announced that on September 13, 1976, he approved and signed the following bills:

S. 5, an act to provide that meetings of Government agencies shall be open to the public, and for other purposes.

S. 2862, An act to authorize appropriations for the Federal Fire Prevention and Control Act of 1974.

INCREASE IN DEFERRAL—MESSAGE FROM THE PRESIDENT

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, which was referred jointly, pursuant to the order of January 30, 1975, to the Committees on Appropriations, the Budget, and Finance:

To the Congress of the United States:

In accordance with the Impoundment Control Act of 1974, I report a net increase of \$11.1 million in the amount previously deferred for the Social Security Administration's limitation on construction account.

The details of the revised deferral are contained in the attached report.

GERALD R. FORD.

THE WHITE HOUSE, September 14, 1976.

MESSAGES FROM THE HOUSE

At 11:02 a.m., a message from the House of Representatives delivered by Mr. Hackney, one of its clerks, announced that the House disagrees to the amend-

ments of the Senate to the bill (H.R. 15194) making appropriations for public works employment for the period ending September 30, 1977, and for other purposes; agrees to the conference requested by the Senate on the disagreeing votes of the two Houses thereon; and that Mr. MAHON, Mr. BOLAND, Mr. EVINS of Tennessee, Mr. SHIPLEY, Mr. ROUSH, Mr. TRAXLER, Mr. BAUCUS, Mr. STOKES, Mrs. BURKE of California, Mr. CEDERBERG, Mr. TALCOTT, Mr. McDADE, and Mr. YOUNG of Florida were appointed managers of the conference on the part of the House.

The message also announced that the House has passed the following bills and agreed to the following concurrent resolution in which it requests the concurrence of the Senate:

H.R. 3605. An act to amend section 5051 of the Internal Revenue Code of 1954 (relating to the Federal excise tax on beer);

H.R. 13615. An act to amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes;

H.R. 15276. An act to amend the District of Columbia Police and Firemen's Salary Act of 1958 to provide for the same cost-of-living adjustments in the basic compensation of officers and members of the United States Park Police force as are given to Federal employees under the General Schedule and to require submittal of a report on the feasibility and desirability of codifying the laws relating to the United States Park Police force; and

H. Con. Res. 745. A concurrent resolution correcting the enrollment of S. 327.

At 1:15 p.m., a message from the House of Representatives delivered by Mr. Berry, one of its clerks, announced that the House agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 3052) to amend section 602 of the Agricultural Act of 1954.

The message also announced that the House disagrees to the amendment of the Senate to the bill (H.R. 71) to amend title 38, United States Code, to provide hospital and medical care to certain members of the armed forces of nations allied or associated with the United States in World War I or World War II.

The message further announced that the House disagrees to the amendments of the Senate to the bill (H.R. 14260) making appropriations for foreign assistance and related programs for the fiscal year ending September 30, 1977, and for other purposes; agrees to the conference requested by the Senate on the disagreeing votes of the two Houses thereon; and that Mr. PASSMAN, Mr. LONG of Maryland, Mr. ROUSH, Mr. OBEY, Mr. BEVILL, Mr. CHAPPELL, Mr. KOCH, Mr. CHARLES WILSON of Texas, Mr. MAHON, Mr. SHRIVER, Mr. CONTE, Mr. COUGHLIN, and Mr. CEDERBERG were appointed managers of the conference on the part of the House.

ENROLLED BILLS SIGNED

At 2:10 p.m., a message from the House of Representatives delivered by Mr. Hackney, one of its clerks, announced that the Speaker has signed the following enrolled bills:

H.R. 13655. An act to establish a five-year research and development program leading to advanced automobile propulsion systems, and for other purposes.

H.R. 14262. An act making appropriations for the Department of Defense for the fiscal year ending September 30, 1977, and for other purposes.

The enrolled bills were subsequently signed by the President pro tempore.

COMMUNICATIONS FROM EXECUTIVE DEPARTMENTS, ETC.

The PRESIDING OFFICER laid before the Senate the following letters, which were referred as indicated:

REPORT OF THE COMPTROLLER GENERAL

A letter from the Deputy Comptroller General informing the Senate that no legal action is forthcoming relating to the release of budget authority proposed for rescission in the President's tenth special message for fiscal year 1976; referred jointly, pursuant to the order of January 30, 1975, to the Committees on Appropriations, the Budget, and Labor and Public Welfare, and ordered to be printed.

REPORT OF THE SECRETARY OF DEFENSE

A letter from the Secretary of Defense transmitting, pursuant to law, a report entitled "Reductions in Fiscal Year 1977 Civilian Manpower" (with an accompanying report); to the Committee on Armed Services.

PUBLICATIONS OF THE FEDERAL POWER COMMISSION

A letter from the Chairman of the Federal Power Commission transmitting copies of the following publications: "Gas Turbine Electric Plant Construction Cost and Annual Production Expenses, 1973"; "Hydroelectric Plant Construction Cost and Annual Production Expenses, 1973"; and "The National Power Survey, The Adequacy of Future Electric Power Supply: Problems and Policies" (with accompanying reports); to the Committee on Commerce.

REPORT OF THE COMPTROLLER GENERAL

A letter from the Comptroller General transmitting, pursuant to law, a report entitled "Assessment of U.S. and International Controls over the Peaceful Uses of Nuclear Energy" (with an accompanying report); to the Committee on Government Operations.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. SPARKMAN, from the Committee on Foreign Relations, without amendment:

H.R. 14973. An act to provide for acquisition of lands in connection with the international Tijuana River flood control project, and for other purposes (Rept. No. 94-1237).

TAX REFORM ACT OF 1976—CONFERENCE REPORT (REPT. NO. 94-1236)

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the conference report on H.R. 10612, a bill to reform the tax laws of the United States, along with the joint statement of the managers, be printed.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXECUTIVE REPORTS OF COMMITTEES

As in executive session, the following executive reports of committees were submitted:

By Mr. SPARKMAN, from the Committee on Foreign Relations:

Melissa F. Wells, of New York, a Foreign Service officer of class 2, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Guinea-Bissau, and to the Republic of Cape Verde.

POLITICAL CONTRIBUTIONS STATEMENT

Nominee: Melissa Wells.
Post: Guinea-Bissau.
Contributions; amount; date; and donee: Self: Melissa Wells, none.
Spouse: Alfred Wells, none.
Children and spouses: Christopher Wells, none; Gregory Wells, none.
Parents: Miliza Korjus Sكتور, none; Kuno Foelsch (deceased).
Grandparents: Deceased.
Brothers and Spouses: Ernest Foelsch, none; Jacque Foelsch, none. Richard Foelsch, none.
Sisters and Spouses: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

MELISSA WELLS.

Ronald D. Palmer, of the District of Columbia, a Foreign Service officer of class 2, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Togo.

POLITICAL CONTRIBUTIONS STATEMENT

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Ronald D. Palmer.
Post: Lome.
Contributions; amount; date; and donee: Self: None.
Spouse: None.
Children and Spouses: None.
Parents: None.
Grandparents: None.
Brothers and Spouses: None.
Sisters and Spouses: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

RONALD D. PALMER.

Davis Eugene Boster, of Ohio, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Guatemala.

POLITICAL CONTRIBUTIONS STATEMENT

As requested in reftel, following is new completed form regarding political contributions which I have certified in the presence of the acting head of our consular section, Ronald E. Hagen, acting in his capacity as a notary:

Nominee: Davis Eugene Boster.
Post: Amembassy Dacca, Bangladesh.
Contributions; amount; date; and donee: Self: none.
Spouse: Mary S. Bosten. Children and spouses: Barbara A. Roster, none; Mr. and Mrs. Davis E. Boster, Jr. none; Mr. James

Boster, none; Mr. Thomas Roster, none; Mr. and Mrs. Robert Curtis, none.

Parents: deceased.
Grandparents: deceased.
Brothers and spouses: none.
Sisters and spouses: none.
Wife's brothers and sisters-in-law: Mr. and Mrs. William Shilts, \$125, 1973, Ohio Republican Party.
Mr. and Mrs. William Shilts, \$125, 1974, Ohio Republican Party.
Mr. and Mrs. William Shilts, \$125, 1975, Ohio Republican Party.
Mr. and Mrs. William Shilts, \$125, 1976, Ohio Republican Party.
Mr. and Mrs. Edgar F. Shilts, none.
Mr. and Mrs. Allan R. Shilts, none.
Wife's sister and brother-in-law: Mr. and Mrs. Jack Fursey, none.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

DAVIS EUGENE BOSTER.

Walter J. Stoessel, Jr., of California, a Foreign Service officer of the class of Career Minister, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Federal Republic of Germany.

POLITICAL CONTRIBUTIONS STATEMENT

Nominee: Walter J. Stoessel, Jr.
Post: Bonn.
Contributions; amount; date; and donee: Self: none.
Spouse: Mrs. Walter J. Stoessel, Jr., none.
Children and Spouses: Katherine, none; Suzanne, none; Christine, none.
Parents: Mrs. Walter J. Stoessel, Jr., none.
Grandparents: not living.
Brothers and Spouses: Mr. and Mrs. James H. Stoessel, James H. Stoessel, \$10, 1972, Republican National Committee; \$5, 1974, Republican Committee California; \$10, 1975, Republican National Committee.
Sisters and Spouses: Mr. and Mrs. Charles Embree, none.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge the information contained in this report is complete and accurate.

WALTER J. STOESEL, JR.

Francois M. Dickman, of Wyoming, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the United Arab Emirates.

POLITICAL CONTRIBUTIONS STATEMENT

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Francois M. Dickman.
Contributions; amount; date; and donee: Self: none.
Spouse: none.
Children and Spouses: none.
Parents: Henriette L. Dickman, Adolphe J. Dickman (deceased).
Grandparents: (deceased).
Brothers and Spouses: none.
Sisters and Spouses: none.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

FRANCOIS M. DICKMAN.

T. Frank Crigler, of Arizona, a Foreign Service officer of class 3, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Rwanda.

POLITICAL CONTRIBUTIONS STATEMENT

Nominee: T. Frank Crigler.
Post: Kigali.
Contributions: Self:
April 26, 1976, Udall '76 Committee, \$25.
February 16, 1976, Udall '76 Committee, \$25.
August 8, 1974, McGovern for Senate, \$10.
August 8, 1974, Arlington Dem. Campaign Committee, \$10.
October 22, 1973, Howell for Governor, \$10.
October 22, 1973, Arlington Cty. Dem. Committee, \$10.
July 20, 1973, Sam Ervin Fan Club, \$10.
October 20, 1972, Udall Campaign Committee, \$15.
October 20, 1972, McGovern for President, \$25.
August 31, 1972, McGovern for President \$25.

June 10, 1972, McGovern for President, \$25.
Spouse: Bettie Ann Crigler, none.
Children and Spouses: Jeffrey, Lauren, and Jeremy Crigler, none.
Parents: Mrs. Elsie M. Crigler, none.
Grandparents: None.

Brothers and Spouses: Robert R. (and Shirle Lynn) Crigler, Jr.—Unknown (on extended business trip at present; supplementary information will be submitted when available).

Sisters and Spouses: Alice E. (and Edwin A.) Richards, none.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

FRANK CRIGLER.

Charles A. James, of California, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of the Niger.

POLITICAL CONTRIBUTIONS STATEMENT

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Charles A. James.
Contributions; amount; date; and donee: (If none, write none)
Self: None.
Spouse: None.
Children and Spouses: Jane James, none; Donald James, none; Dennis James, none; Peter James, none; Karen James, none.

Parents: None.
Grandparents: None.
Brothers and spouses: None.
Sisters and spouses: Gladys Hawes and Ernest Hawes, none.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

CHARLES A. JAMES.

Patricia M. Byrne, of Ohio, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Mali.

POLITICAL CONTRIBUTION STATEMENT

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar

year of the nomination and ending on the date of the nomination.

Nominee: Patricia M. Byrne.

Post: Bamako, Mali.

Contributions: amount; date; and donee: (If none, write none).

Self: None.

Spouse: N/A.

Children and Spouses: N/A.

Parents: N/A.

Grandparents: N/A.

Brothers and Spouses: N/A.

Sisters and Spouses: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

PATRICIA M. BYRNE.

Julius L. Katz, of Maryland, to be an Assistant Secretary of State.

(The foregoing nominations from the Committee on Foreign Relations were reported with the recommendation that they be confirmed, subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

HOUSE BILLS REFERRED

The following bills were read twice by their titles and referred as indicated:

H.R. 13615. An act to amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes; to the Committee on Armed Services.

H.R. 15276. An act to amend the District of Columbia Police and Firemen's Salary Act of 1958 to provide for the same cost-of-living adjustments in the basic compensation of officers and members of the U.S. Park Police force as are given to Federal employees under the General Schedule and to require submission of a report on the feasibility and desirability of codifying the laws relating to the U.S. Park Police force; to the Committee on the District of Columbia.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first time and, by unanimous consent, the second time, and referred as indicated:

By Mr. PACKWOOD (for himself and Mr. RIBICOFF):

S. 3811. A bill to amend the Internal Revenue Code of 1954 with respect to amounts received on certain loans of securities. Referred to the Committee on Finance.

By Mr. MONTTOYA:

S. 3812. A bill to grant a Federal charter to the American GI Forum of the United States. Referred to the Committee on the Judiciary.

S. 3813. A bill to authorize the Administrator of Veterans' Affairs to pay to female veterans of World War II and the Korean conflict certain educational benefits on the same basis that such benefits were paid to male veterans. Referred to the Committee on Veterans' Affairs.

S. 3814. A bill for the relief of T. Sgt. Herman F. Baca, U.S. Air Force. Referred to the Committee on the Judiciary.

By Mr. MOSS:

S. 3815. A bill providing for reinstatement and validation of U.S. oil and gas leases Nos. U-12871, U-12872, U-12874, U-12875, U-12876, U-12877, U-12878, and U-12881. Referred to

the Committee on Interior and Insular Affairs.

By Mr. MONTTOYA:

S. 3816. A bill to amend the Internal Revenue Code of 1954 to allow a credit for amounts which are paid for natural gas used for farming purposes and which are attributable to the recent increase in rates for natural gas established by the Federal Power Commission. Referred to the Committee on Finance.

By Mr. HATFIELD:

S. 3817. A bill for the relief of Robert E. Saries and Alice J. Saries of Merlin, Oreg. Referred to the Committee on Interior and Insular Affairs.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. PACKWOOD (for himself and Mr. RIBICOFF):

S. 3811. A bill to amend the Internal Revenue Code of 1954 with respect to amounts received on certain loans of securities. Referred to the Committee on Finance.

LOANS OF SECURITIES BY TAX EXEMPT ORGANIZATIONS

Mr. PACKWOOD. Mr. President, this bill changes the unrelated business income tax to provide that exempt organizations will not be taxed on income from securities loans. The purpose of the bill is to help exempt organizations increase the yield from their investments, and to facilitate the mechanical aspects of buying and selling securities. The Department of the Treasury and the Securities and Exchange Commission favor this legislation.

CURRENT SITUATION

Frequently, a securities dealer is committed to deliver a block of stocks, corporate bonds, or U.S. bonds on a fixed date. For example, the dealer may sell stocks or bonds on the owner's instructions, but the owner fails to deliver the property to the dealer in time for him to deliver it to the market or purchaser to whom he sold it. In such case, the securities dealer is obligated to "borrow" an identical block of stock from a bank or other large fund.

The lender with the largest volume of securities loans is the Federal Reserve Board. In addition, the Comptroller of Currency allows national banks to make securities loans, and has held that such loans are proper activity for trust accounts managed by national banks.

The lending of securities does not cause any material risk of loss to the lender. This is because borrowers post collateral with fair market value equal to that of the securities loan, with adjustments of collateral required on a daily basis. The loan arrangements also provide the loan may be terminated by a lender at any time on 5 days notice, and that in the event of failure of return on demand, the borrower is liable for the amount that the purchase price of the replacement securities and commissions exceed the value of the collateral. The borrower is paid at a rate of 1½ to 3 percent annual rate—for the use of the securities. It continues to receive any interest or dividends paid on the

securities during the time the securities are loaned.

PROBLEM

Exempt organizations, such as charities and pension funds are discouraged from engaging in securities loans because of the risk that they will be subject to the tax on unrelated business income. If income from lending securities is "dividends, interest and royalties" the exempt organization would not be subject to tax. If, in contrast, it is the conduct of an unrelated trade or business, they would be subject to income tax. The Internal Revenue Service has not ruled on this issue.

PACKWOOD AMENDMENT

This amendment provides that the "rental fee" from loans of securities is to be treated like "interest, dividends, and royalties" and exempt from the tax on unrelated business income. This amendment applies only if the securities loan is fully collateralized as described above. The amendment makes some technical changes as well, such as to provide that if the organization making securities loans is a private foundation, that the income from the securities loans is to be subject to the tax on investment income, like other investment income received by a private foundation.

REVENUE EFFECT

Apparently, the Internal Revenue Service has never applied the unrelated business income tax to income paid for securities loans. This means there is no actual loss of revenue.

ADMINISTRATION POSITION

Treasury and the Securities and Exchange Commission support this amendment.

Mr. President, I request unanimous consent that a copy of this bill and the letter from the Treasury Department be printed in the RECORD.

There being no objection, the bill and letter were ordered to be printed in the RECORD, as follows:

S. 3811

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 512(a) of the Internal Revenue Code of 1954 (relating to the definition of unrelated business income) is amended by adding at the end thereof the following new paragraph:

"(5) SPECIAL RULE FOR PAYMENTS ON SECURITIES LOANS.—The term 'payments on securities loans' shall include all amounts received in respect of a security (as defined in section 1236(c)) loaned by the owner thereof to another person, whether or not title to the security remains in the name of the lender, including amounts in respect of dividends or interest thereon, fees computed by reference to the period for which the loan is outstanding and the fair market value of the security during such period, income from collateral security for such loan, or income from the investment of collateral security provided that the agreement between the parties provides for:

(a) reasonable procedures to implement the obligation of the borrower to furnish collateral to the lender with a fair market value on each business day during the period the loan is outstanding at least equal to the fair market value of the security at the close

of business on the preceding business day, and

(b) termination of the loan by the lender at any time on notice of no more than five business days, whereupon the borrower is required to return certificates for the borrowed securities to the lender."

(b) Section 509(e) of the Internal Revenue Code of 1954 (relating to the definition of gross investment income) is amended by inserting "payments on securities loans (as defined in section 512(a)(5)), after "dividends."

(c) Section 512(b)(1) of the Internal Revenue Code of 1954 (relating to modifications of the definition of unrelated business taxable income) is amended by striking out "and annuities," and inserting in lieu thereof "annuities, and payments on securities loans (as defined in paragraph (5) of subsection (a))."

(d) Section 851(b)(2) of the Internal Revenue Code of 1954 (relating to limitations on the definition of a regulated investment company) is amended by inserting "payments on securities loans (as defined in section 512(a)(5)), after "interest."

(e) Section 4940(c)(2) of the Internal Revenue Code of 1954 (relating to the definition of private foundation gross investment income) is amended by striking out "and royalties," and inserting in lieu thereof "royalties, and payments on securities loans (as defined in section 512(a)(5))."

(f) **EFFECTIVE DATE.**—The amendments made by this Act shall apply to amounts received after December 31, 1975.

DEPARTMENT OF THE TREASURY,
Washington, D.C., September 14, 1976.

Hon. BOB PACKWOOD,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PACKWOOD: You have requested our views on the attached draft bill, which would allow exempt organizations to lend their securities certificates to brokers and other persons and not subject the income that such organizations would receive from such loans to the unrelated business income tax.

To qualify for such treatment, the lender would have to require the borrower to provide collateral equal to the full fair market value of the loaned securities, and supplement it with sufficient additional collateral on any business day when the value of the securities rose above the value of the collateral currently on hand. In addition, the loans would have to be subject to termination on five business days notice. Under those circumstances, the fees that the lender would receive for loaning the certificates, as well as the income paid over by the borrower to the lender during the period of the loan, would be treated as passive income exempt from the unrelated business income tax. In the case of private foundations, however, this income would be subject to the 4% excise tax on its net investment income.

The bill would afford similar treatment to regulated investment companies, allowing them to pass through the fees and other income that they receive from such loans to their shareholders tax-free.

The draft bill would provide such passive income treatment for amounts received by exempt organizations and regulated investment companies after December 31, 1975.

Such a bill would allow exempt organizations to maximize the income that they could derive from their portfolio investments without jeopardizing these investments. We understand that the safeguards required in the draft bill for such loans are the same as those required by the Securities and Exchange Commission for such loans when they are made by a regulated investment company. Since these loans are fully secured, we think that they constitute an appropriate

investment activity for exempt organizations, and one that should be encouraged. Furthermore, such loans are less speculative than the granting of options on portfolio securities, and Congress recently allowed exempt organizations to engage in the latter activity without incurring any unrelated business income tax. In the case of both exempt organizations and regulated investment companies, the income from such loans should be treated the same as other investment income.

In addition, we understand that the SEC would support such a draft bill because it would help relieve the chronic shortage of securities certificates, by encouraging pension funds and other institutional investors to loan their securities certificates to brokers. Brokers frequently need to borrow certificates to cover short sales and the failures of sellers to make timely delivery of certificates they have sold. The securities currently being borrowed from customers' margin accounts are apparently not sufficient to meet current needs, and institutional investors, who hold a large percentage of securities, are reluctant to loan out their certificates because they are concerned about the potential adverse tax consequences. The draft bill would eliminate such adverse tax consequences where the loans contain adequate safeguards.

The revenue effect of this draft bill is expected to be negligible.

The Treasury Department would support such a draft bill. However, the committee reports should make clear that no inference is to be drawn with respect to the active or passive classification of income from securities loans that lack the prescribed safeguards, both for purposes of the unrelated business income and for other income tax purposes, e.g., personal holding company income.

The Office of Management and Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely yours,

CHARLES M. WALKER.

By Mr. MONTOLA:

S. 3812. A bill to grant a Federal charter to the American GI Forum of the United States. Referred to the Committee on the Judiciary.

THE AMERICAN GI FORUM OF THE UNITED STATES

Mr. MONTOLA. Mr. President, I am today introducing a bill which would grant a Federal charter to the American GI Forum of the United States. My good friend, Congressman EDWARD R. ROYBAL of California, is introducing an identical measure in the House of Representatives.

The American GI Forum was created to combat discrimination against Spanish-speaking veterans. It has been in existence since March 26, 1948, when it was first granted a charter from the State of Texas. Today there are 30 chartered States across the country, including chapters in Germany and England. The GI Forum has reached international prominence for their work to bring equality to all citizens. The granting of a Federal charter would insure that the GI Forum receives further recognition and, most importantly, enjoys continued success in promoting civil rights for Spanish-speaking groups.

We have put much emphasis on cultural heritage and history in this Bicentennial year. There is a changing

spirit in America and in the Spanish-speaking minority. The concept of Americans as a homogenized people with one culture and one history is fading. Instead, there is an accent on the value of variety as each group is encouraged to develop its own cultural heritage.

The American GI Forum has led the way in creating a recognition of the needs of the Spanish-speaking. The Forum has fought and continues to fight for equal employment, equal educational opportunities, and equal representation in government. These are the principles on which our country was founded. Therefore, I urge swift consideration of this bill as a way of recognizing that Spanish origin Americans, and especially the American GI Forum of the United States, are a vital part of our Nation.

I ask unanimous consent that the text of this bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 3812

A bill to grant a Federal charter to the American GI Forum of the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

INCORPORATION

SECTION 1. Orlando Romero, Phoenix, Arizona, Joe Avila, Pico Rivera, California, Ivan Vasquez, Loveland, Colorado, Mario Lugo Baez, Bridgeport, Connecticut, Miss Maria Nina Hall, Pensacola, Florida, Antonio Ochoa, Caldwell, Idaho, Jesse Perez, Moline, Illinois, John Rivera, Fort Wayne, Indiana, Augustine Olvera, Davenport, Iowa, Jesse Magana, Kansas, Thomas Tellez, Silver Spring, Maryland, Skip Alvarado, Detroit, Michigan, Herman Davila, Kansas City, Missouri, Clemente Aguilar, Lincoln, Nebraska, Carlos E. Mares, Las Vegas, Nevada, Pedro F. Jimenez, Santa Fe, New Mexico, Fortino Guerra, Port Clinton, Ohio, John Gonzales, Oklahoma City, Oklahoma, Manuel Casanova, San Antonio, Texas, Rick Martinez, Salt Lake City, Utah, Wayne Aragon, Tacoma, Washington, Alex Cruz, Racine, Wisconsin, Jess Frescas, Cheyenne, Wyoming, Eduardo Perrones, Washington, D.C., Mrs. Calvin W. McGhee, Atmore, Alabama, Frank Johnson, Fort Smith, Arkansas, Jose Garza, Alexandria, Virginia, and their associates and successors, are created a body corporate by the name of the American GI Forum of the United States and by such name shall be known and perpetually succeeded. The corporation shall have the powers and be subject to the limitations established by this Act.

COMPLETION OF ORGANIZATION

SEC. 2. Any individual named in section 1 may, in person or by written proxy, engage in any act necessary to complete the organization of the corporation.

PURPOSE OF CORPORATION

SEC. 3. The purposes of the corporation shall be—

(1) to preserve and advance religious and political freedom, equality of social and economic opportunity, and other fundamental principles of democracy for all United States citizens;

(2) to secure and protect for veterans of active United States military, naval, or air service discharged under conditions other than dishonorable, and the families of such veterans, regardless of race, color, religion, sex, or national origin, the rights and privileges granted to them by the Constitution and laws of the United States;

(3) to advance understanding among United States citizens of differing national origins and religious beliefs in order to develop an enlightened citizenry and a greater Nation;

(4) to develop the leadership abilities of United States citizens of Mexican origin or ancestry by encouraging their participation in community civic and political affairs;

(5) to combat juvenile delinquency by teaching discipline, good sportsmanship, the value of teamwork, and respect for law and order and by encouraging participation in the Youth GI Forum program operated by the corporation;

(6) to assist students desiring to attend institutions of higher learning through the award of scholarships;

(7) to uphold and maintain loyalty to the Constitution and flag of the United States;

(8) to preserve and defend the United States from all enemies; and

(9) to assist needy and disabled veterans of active United States military, naval, or air service discharged under conditions other than dishonorable.

CORPORATE POWERS

SEC. 4. Except as otherwise provided by this Act, and subject to any applicable law of the United States, or of any State in which the corporation conducts any activities, the corporation may—

(1) sue and be sued and complain and defend in any court of competent jurisdiction;

(2) adopt, alter, and use a corporate seal, badge, and emblem;

(3) adopt, alter, and amend a constitution and bylaws not inconsistent with the charter granted by this Act;

(4) enter into contracts and other agreements;

(5) acquire, control, hold, lease, and dispose of such real, personal, or mixed property as may be necessary to carry out any corporate purpose;

(6) choose any officer, manager, agent, or employee necessary to carry out any corporate purpose;

(7) incur debt for any corporate purpose, issue bonds in connection with such debt, and secure such debt by mortgage or otherwise;

(8) establish, regulate, and dissolve subordinate State and regional organizations and local chapters of the corporation;

(9) publish a newspaper, magazine, or other publications; and

(10) take any other action necessary to carry out any corporate purpose.

MEMBERSHIP

SEC. 5. Eligibility for membership in the corporation and any rights and privileges of such membership shall, except as provided by this Act, be as provided by the constitution or bylaws of the corporation.

GOVERNING AUTHORITY OF CORPORATION

SEC. 6. (a) The Corporation shall have a national board of directors, which shall be constituted as provided by the constitution or bylaws of the corporation. The first board of directors shall be: Antonio G. Morales, National Chairman, Fort Worth, Texas, Exequiel Duran, Vice Chairman, Albuquerque, New Mexico, Louis P. Tellez, Executive Secretary-Treasurer, Albuquerque, New Mexico, Jessie Flores, Women's Chairperson, El Paso, Texas, Paula Martinez, Youth Chairperson, Denver, Colorado, Tom Zuniga, Sergeant at Arms, Saginaw, Michigan, Jose Ramos, Veterans' Officer, Fort Worth, Texas, Jose Cavazos, Jr., Communications and Development Officer, Detroit, Michigan, The Rev. Msgr. Erwin Jurascheki, Chaplain, Falls City, Texas, and all of those listed in Section 1 of the Act.

(b) The manner of selection and qualification of directors on the board, the terms of office of such directors, and the powers and responsibilities of the board and such direc-

tors shall be as provided by the constitution or bylaws of the corporation.

OFFICERS OF CORPORATION

SEC. 7. The officers of the corporation, and the manner of election, terms of office, powers, and responsibilities of such officers, shall be as provided by the constitution or bylaws of the corporation.

PRINCIPAL OFFICE; SCOPE OF ACTIVITIES; DISTRICT OF COLUMBIA AGENT

SEC. 8. (a) The principal office of the corporation shall be in Fort Worth, Texas, or in any other place the corporation may determine, but the activities of the corporation may be conducted in such locations as may be necessary to carry out any corporate purpose.

(b) The corporation shall maintain at all times in the District of Columbia a designated agent authorized to accept service of process for the corporation. Service upon, or notice mailed to the business address of, such agent shall be considered service upon, or notice to, the corporation.

USE OF INCOME; LOANS TO OFFICERS, DIRECTORS, OR EMPLOYEES

SEC. 9. (a) No part of any asset or income of the corporation shall inure to any member, officer, or director or be distributable to any such person during the life of the corporation or upon its dissolution or final liquidation. Nothing in this subsection shall be construed to prevent the payment to any corporate officer of reasonable compensation or reimbursement for actual necessary expenses in any amount approved by the board.

(b) The corporation shall not make any loan to any member, officer, director, or employee of the corporation.

NONPOLITICAL NATURE OF CORPORATION

SEC. 10. The corporation and any officer or director of the corporation, as such officer or director, shall not contribute to, support, or otherwise participate in any political activity or in any manner attempt to influence legislation.

LIABILITY FOR ACTS OF OFFICERS, EMPLOYEES, AND AGENTS

SEC. 11. The corporation shall be liable for any act of any officer, employee, or agent of the corporation which is within the scope of the authority of such officer, employee, or agent.

PROHIBITION AGAINST ISSUANCE OF STOCK OR PAYMENT OF DIVIDENDS

SEC. 12. The corporation shall not have the power to issue any share of stock or to declare or pay any dividend.

BOOKS AND RECORDS; INSPECTION

SEC. 13. (a) The corporation shall keep books and records of account and shall keep minutes of any proceeding of the corporation involving any member of the corporation, the board, or any committee having authority under the board. The corporation shall keep at its principal office a record of the name and address of any member entitled to vote.

(b) All books and records of the corporation may be inspected by any member entitled to vote, or by any agent or attorney of such member, for any proper purpose, at any reasonable time.

AUDIT OF FINANCIAL TRANSACTIONS

SEC. 14. The provisions of sections 2 and 3 of the Act entitled "An Act to provide for audit of accounts of private corporations established under Federal law", approved August 30, 1964 (36 U.S.C. 1102, 1103), shall apply with respect to the corporation.

USE OF ASSETS UPON DISSOLUTION OR LIQUIDATION

SEC. 15. Upon dissolution or final liquidation of the corporation, after discharge or satisfaction of any outstanding obligation or liability of the corporation, any remaining asset of the corporation may be distributed

in accordance with any determination of the board in compliance with this Act, any other applicable Federal or State law, and the constitution and bylaws of the corporation.

EXCLUSIVE RIGHT TO NAME, EMBLEMS, SEALS, AND BADGES

SEC. 16. The corporation shall have the exclusive right to use the name American GI Forum of the United States and any emblem, badge, or seal adopted, altered, or used by the corporation under section 4(2).

RESERVATION OF RIGHT TO AMEND OR REPEAL CHARTER

SEC. 17. The right of the Congress to alter, amend, or repeal the charter granted by this Act is expressly reserved.

DEFINITIONS

SEC. 18. For purposes of this Act—

(1) the term "corporation" means the American GI Forum of the United States;

(2) the term "board" means the national board of directors of the corporation which is required to be established under section 6; and

(3) the term "State" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

By Mr. MONTOKA:

S. 3813. A bill to authorize the Administrator of Veterans' Affairs to pay to female veterans of World War II and the Korean conflict certain educational benefits on the same basis that such benefits were paid to male veterans. Referred to the Committee on Veterans' Affairs.

EDUCATIONAL BENEFITS FOR FEMALE VETERANS

Mr. MONTOKA. Mr. President, today I am introducing a bill to make retroactive payments to female veterans of World War II and Korea, who were not treated equally with their male counterparts.

At the present time, Veterans' Administration education assistance benefits for both male and female veterans are paid on the same basis. However, this was not always the case. Just within this past year, the Veterans' Administration administratively granted retroactive payments back to June 1, 1966.

This bill gives the VA the authority needed to go back even further than 1966 and finish the job. I am sure my colleagues will agree that female veterans, who served their country well and when needed, should not have been discriminated against. My legislation corrects this situation.

I ask unanimous consent that a letter from the Honorable Richard L. Roudsbush, Administrator of the Veterans' Administration, and the text of my bill, be printed in the RECORD.

There being no objection, the bill and letter was ordered to be printed in the RECORD, as follows:

S. 3813

A bill to authorize the Administrator of Veterans' Affairs to pay to female veterans of World War II and the Korean conflict certain educational benefits on the same basis that such benefits were paid to male veterans

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) notwithstanding any other provision of law, the Administrator of Veterans' Affairs is au-

thorized and directed to pay to any female veteran who pursued a program of education or training under part VIII of Veterans Regulation Numbered 1(a), the Servicemen's Readjustment Act of 1944, or the Veterans' Readjustment Assistance Act of 1952 and who was married at the time she was pursuing such program, but was not paid on education and training allowance based on having a dependent husband, shall, upon application made to the Administrator within one year after the date of enactment of this Act, pay to such veteran an amount equal to the difference between the amount of education and training allowance such veteran was actually paid and the amount such veteran would have been paid had her entitlement to such allowance been determined in the same manner and on the same basis as if she had been a male veteran.

(b) As used in subsection (a), the term "education and training allowance" includes subsistence allowance or other comparable payment made to eligible veterans by the Veterans' Administration while pursuing a program of education or training under one of the provisions referred to in subsection (a).

(c) Payments authorized to be made under this Act shall be made by the Administrator of Veterans' Affairs out of any funds available for the payment of educational assistance allowances under chapter 34 of title 38, United States Code.

VETERANS' ADMINISTRATION,
WASHINGTON, D.C., July 12, 1976.

Hon. JOSEPH M. MONTAYA,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MONTAYA: In response to your letter of June 28, 1976, I am pleased to report that educational assistance benefits for female veterans are currently paid on the same basis as those granted male veterans.

Until the enactment of Public Law 92-540, effective October 24, 1972, the dependency allowance of a female veterans based on her husband could only be paid to her if her husband was incapable of self-maintenance and permanently incapable of self-support. This change in law was favored by the Veterans Administration. I would point out that they were always allowed benefits for their children. The limitation cited here only applied to the spouse.

It was recognized by the Veterans Administration that there were many female veterans who had previously been denied this dependency benefit and for that reason I had published in the Federal Register of July 1, 1975, a notice stating that it was the policy of the Veterans Administration to make retroactive payment of educational assistance benefits to such female veterans providing they filed an application within 1 year from that date. Claims were allowed retroactively as far back as June 1, 1966, the date the current educational program came into being.

Your interest in this matter is greatly appreciated.

Sincerely,

RICHARD L. ROUDEBUSH,
Administrator.

By Mr. MONTAYA:

S. 3816. A bill to amend the Internal Revenue Code of 1954 to allow a credit for amounts which are paid for natural gas used for farming purposes and which are attributable to the recent increase in rates for natural gas established by the Federal Power Commission. Referred to the Committee on Finance.

Mr. MONTAYA. Mr. President, recently, the Federal Power Commission made

a change in the rate structure for interstate natural gas prices. The substantial increase will drastically and adversely affect all consumers in the United States, and it is, indeed, unfortunate that the Commission did not delay the introduction of this new rate structure until Congress had completed its work on pending natural gas legislation.

The impact of this natural gas price increase will be strongly felt by the farmers of this country. It will badly hurt farmers and ranchers in New Mexico who must use natural gas for irrigation.

This agricultural segment of our population has a direct effect on all Americans—and an important task to fulfill for all Americans. The task of providing an adequate amount of food for the American public is one our farmers have been accomplishing effectively, even though they have been hampered by rising production costs. With the increased price of natural gas, the farmers of America will be facing escalating energy and production costs that will either hamper production or set off a substantial increase in food costs to all citizens. We must relieve our farmers from these growing energy costs, not only for the benefit of American agriculture, but for the good of the total economy. Through any relief we can provide the farmers with energy costs—we will be holding back any additional production costs the farmer would pass through to the consumer.

For this reason, I have introduced this legislation to allow a tax credit for farm use of natural gas up to a limit of \$500. The best available sources have computed the average cost farmers may face when the increased price for natural gas takes effect, and \$500 is the figure suggested. By giving agricultural producers this energy credit, we will be easing the effect of the recent FPC natural gas rate increase on the average American farmer, protecting consumers at the same time. I urge my colleagues, here in the Chamber, and in committee, to take expeditious action on this legislation to enable the provisions of this bill to provide relief for farmers as soon as possible.

ADDITIONAL COSPONSORS

SENATE RESOLUTION 524

At the request of Mr. JAVITS, the Senator from Utah (Mr. GARN), the Senators from Delaware (Mr. ROTH and Mr. BIDEN), the Senator from South Carolina (Mr. THURMOND), the Senator from North Dakota (Mr. YOUNG), the Senator from Oregon (Mr. HATFIELD), the Senator from Arkansas (Mr. BUMPERS), the Senator from New Jersey (Mr. WILLIAMS), the Senator from Connecticut (Mr. WEICKER), the Senator from Wisconsin (Mr. PROXMIER), and the Senator from Missouri (Mr. EAGLETON) were added as cosponsors of Senate Resolution 524, a resolution relating to the terrorist attack at Istanbul Airport.

AMENDMENT NO. 2219

At the request of Mr. MUSKIE, the Senator from Minnesota (Mr. MONDALE) was added as a cosponsor of amendment No. 2219, intended to be proposed to H.R.

14846, the military construction authorization bill.

SENATE CONCURRENT RESOLUTIONS 202 THROUGH SENATE CONCURRENT RESOLUTION 207—SUBMISSION OF CONCURRENT RESOLUTIONS OBJECTING TO PROPOSED SALE OF WEAPONS

(Referred to the Committee on Foreign Relations.)

Mr. NELSON submitted the following concurrent resolutions:

S. CON. RES. 202

Resolved by the Senate (the House of Representatives concurring), That, pursuant to Section 36(b) of the Arms Export Control Act, the Congress objects to the proposed sale of helicopters to Israel (transmittal number 7T-55), transmitted on September 13.

S. CON. RES. 203

Resolved by the Senate (the House of Representatives concurring), That, pursuant to Section 36(b) of the Arms Export Control Act, the Congress objects to the proposed sale of aircraft to Israel (transmittal number 7T-56), transmitted September 13.

S. CON. RES. 204

Resolved by the Senate (the House of Representatives concurring), That, pursuant to Section 36(b) of the Arms Export Control Act, the Congress objects to the proposed sale of howitzers to the Philippines (transmittal number 7T-53), transmitted on September 13.

S. CON. RES. 205

Resolved by the Senate (the House of Representatives concurring), That, pursuant to Section 36(b) of the Arms Export Control Act, the Congress objects to the proposed sale of missiles to Spain (transmittal number 7T-54), transmitted on September 10.

S. CON. RES. 206

Resolved by the Senate (the House of Representatives concurring), That, pursuant to section 36(b) of the Arms Export Control Act, the Congress objects to the proposed sale of missile defense systems and missiles to Tunisia (transmittal number 7T-52), transmitted on September 10.

S. CON. RES. 207

Resolved by the Senate (the House of Representatives concurring), That, pursuant to section 36(b) of the Arms Export Control Act, the Congress objects to the proposed sale of armored personnel carriers to Kuwait (transmittal number 7T-57), transmitted on September 10.

Mr. NELSON. Mr. President, I send to the desk six concurrent resolutions of objection by the Congress to the proposed sales of weapons and defense articles to Kuwait, Tunisia, Spain, Israel, and the Philippines, pursuant to section 36(b) of the Arms Export Control Act.

Last Tuesday I submitted resolutions of objection to each of 37 foreign military sales proposed by the executive branch September 1. Notice of the Executive's intent to conclude these transactions was contained in a single packet of proposals which, in one fell swoop, obligates the United States to transfer over \$6 billion worth of arms to 11 different countries. To put this dollar value in some perspective, approval of the administration's Labor Day packet would commit the equivalent of nearly 14 percent

of all foreign military sales made by the United States over the last 25 years.

Under section 36(b), the Congress may veto the proposed sale of any major defense equipment exceeding \$7 million in cost, but must act within 30 calendar days of its notification. Unfortunately, these latest proposals came only within the last several days. There are only 18 days left to this 94th Congress, and of course the press of other legislative business is greatest right now.

In objecting to these additional proposals, I seek to add them to the overall group of 37 which I would hope will serve as subject matter for hearings of the Committee on Foreign Relations.

Mr. President, the administration continues to peddle our most sophisticated armaments to a great variety of countries, including those in the most sensitive areas on the globe. It does so at a rate exceeding the combined efforts of all other major arms suppliers. And such critical decisions are made without benefit of substantive policy guidelines—without even a basic statement of our goals and objectives.

The scope and magnitude of these foreign military sales raise serious foreign policy implications. The Congress has a fundamental oversight responsibility with regard to U.S. arms transfers. In my judgment, the Congress must act through this mechanism to develop responsible guidelines and examine our Nation's arms transfers in the light of stated policy objectives. It is time to slow down the runaway weapons train.

AMENDMENTS SUBMITTED FOR PRINTING

INVESTMENT ADVISERS ACT AMENDMENTS OF 1976—S. 2849

AMENDMENTS NOS. 2289 AND 2290

(Ordered to be printed and to lie on the table.)

Mr. HRUSKA. Mr. President, I send to the desk two amendments to S. 2849, a bill to amend the Investment Advisers Act of 1940 to authorize the Securities and Exchange Commission to prescribe standards of qualification and financial responsibility for investment advisers, and for other purposes.

I ask unanimous consent that they be ordered to lie on the table and to be printed, it being my intention to propose them in timely order upon consideration of this bill in the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HRUSKA. Mr. President, I ask unanimous consent also that the text of these amendments be printed at the conclusion of my remarks, in each instance to be accompanied by a brief explanatory statement of purposes.

There being no objection, the material was ordered to be printed in the Record as follows:

AMENDMENT No. 2289

Beginning with page 13, line 3, strike out all through page 14, line 4.

On page 14, line 5, strike out "(d)" and insert in lieu thereof "(c)".

On page 14, line 19, strike out "(e)" and insert in lieu thereof "(d)".

On page 15, line 13, strike out "(f)" and insert in lieu thereof "(e)".

On page 15, line 14, strike out "(c), (d), and (e)" and insert in lieu thereof "(c) and (d)".

EXPLANATION OF AMENDMENT No. 2289

This Amendment would delete Section 10 (c) of this bill appearing on Page 13 of the bill. The SEC has advised Committee staff Members that it, the SEC, may conduct whatever studies it wants whenever it wants. Therefore, this Section is not necessary for the SEC to conduct a study of the subject matter set out in this Section.

The deletion of this Section, therefore, would indicate that Congress is not mandating a study, with the concomitant implication that the same is needed. However, the SEC would be free to make this study if they deemed it advisable.

A study for the purpose of determining whether the "umbrella should be enlarged" is essentially a study to see whether lawyers, bankers, accountants, insurance agents, and other persons whose investment advice is incidental to their business should be regulated by the SEC pursuant to the provisions of this Bill. Such an inclusion has serious implications, not the least of which are questions as to the point wherein the regulation of causal investment advisers contravenes First Amendment rights.

AMENDMENT No. 2290

On page 13, line 17, after "include" insert "(1)".

On page 13, line 24, before the period insert "; and (2) an analysis of the extent to which the inclusion of additional persons in the definition of 'investment adviser' will (A) add to the burdens and costs of doing business, (B) result in higher fees for the investment advisory client, (C) lessen competition by discouraging smaller businesses from continuing investment advisory services, or (D) attenuate the ability of such additional persons to provide complete and thorough service to their clients and customers if they should cease rendering investment advice because of an unwillingness or inability to meet the qualifications and standards established under this title and the rules and regulations of the Commission promulgated hereunder".

EXPLANATION OF AMENDMENT No. 2290

It is not entirely clear what "additional persons" the SEC has in mind in requesting this study. However, it is feared that the enlargement of the regulatory umbrella will include such professionals as lawyers, accountants, life insurance agents, and bank trust departments. The SEC certainly does not deny it is leaning toward such an inclusion. This being the case, the added analysis set out in the above amendment would be most timely and useful to the Congress in determining whether added inclusions would be wise or prudent.

H.R. 8656—DUTY-FREE IMPORTATION OF LOOSE GLASS PRISMS

AMENDMENT No. 2291

(Ordered to be printed and to lie on the table.)

Mr. BARTLETT submitted an amendment intended to be proposed by him to the bill (H.R. 8656) to amend the Tariff Schedules of the United States in order to provide for the duty-free importation of loose glass prisms used in chandeliers and wall brackets.

S. 3421—EXCLUSIVE TERRITORIAL ARRANGEMENTS

AMENDMENTS NOS. 2293 THROUGH 2299

(Ordered to be printed and to lie on the table.)

Mr. MANSFIELD (for Mr. ABOUREZK) submitted seven amendments intended to be proposed to the bill (S. 3421) to amend the Federal Trade Commission Act (15 U.S.C. 45) to provide that under certain circumstances exclusive territorial arrangements shall not be deemed unlawful.

D.C. COMMITTEE HEARINGS

Mr. EAGLETON. Mr. President, the District of Columbia Committee wishes to announce that it will hold hearings on H.R. 14971, to continue Treasury borrowing authority for the District of Columbia, H.R. 10826, a bill to prohibit the unauthorized use of a motor vehicle, S. 3796 and H.R. 15276, bills to grant the U.S. Park Police the cost-of-living increase given other Federal workers, and S.3807, a bill to authorize the District government to pay over to colleges and universities any proceeds of revenue bonds which may be issued on behalf of such colleges and universities.

The hearings will take place on Wednesday, September 22, 1976, at 9:30 a.m. in room 6226 Dirksen Senate Office Building. Persons wishing to testify on any of these bills should contact Mr. Robert Harris, at the D.C. Committee of office, 6222 Dirksen Senate Office Building by noon Monday, September 20, 1976.

ADDITIONAL STATEMENTS

U.S. AGRICULTURE

Mr. GARN. Mr. President, most of us are familiar with the humorously sage observation of the comedian, a few years ago, who said he had known poverty and he had realized wealth and could definitely assert to any remaining doubters that "being rich is better."

In a far more critical and totally unfunny area of concern—food—a similar choice faces much of the world today. It is the choice of having enough food or of starving. Incredible as it may seem, a great many well-intentioned but appallingly misguided people are seriously advancing policies which suggest, in effect, that "going hungry is better."

These people espouse in the extreme the appealing cause of environmentalism. They generally view themselves as idealists. Most of them apparently are convinced that they are campaigning, in the public interest, for the best interests of humanity. Not one of them, I am sure, would wish to be held responsible for the agony of the innocent whose bodies are deformed, whose minds are warped or whose lives are irreparably shortened and lost every day by the awful pangs of hunger.

Yet, Mr. President, these overzealous, avowed advocates of consumerism, champion every restraint and interference with the growth of our capacity to

meet the escalating demands for energy and food. They utilize every forum to prevent the use of new technology. They employ every legal device and the current activism of some of our courts to delay, to regulate, to deny us the means to cope with the rising demands on agriculture and industry. In the alleged public interest, they advocate negative programs which, unchecked, may lead to the ultimate catastrophe of mass starvation among millions of the world's least fortunate people.

In the process of trying to save our environment and natural resources for posterity, they are making an impossible mockery of our very real capability to save those who are the only guarantors that there will even be a posterity.

In particular, some of these self-proclaimed environmentalists are frustrating both the effort and will of those most apt to be the "last, best hope" for preserving the future for all of us: America's farmers and ranchers. What we see is a substantial number of supposedly intelligent citizens of our country literally biting the hands that feed them.

Do they know what an impact their eagerness and enthusiasm for preventing progress in energy resource development is having on American agriculture? Do they even appreciate the magnitude of their activities with respect to undermining the marvel of our agriculture? I prefer to think they do not. Otherwise one must conclude that their definition of the "public interest" is that the public be damned.

The United States is, in fact, the bread basket of the world. We not only produce ample quantities of food, fiber and forestry products in the greatest variety and finest quality sufficient to meet domestic requirements. We also supply a vitally significant percentage of the world's needs.

Seventy percent of what the people of the world eat is derived from grain. Ninety percent of the food consumed is produced where the food is consumed; but the vital 10 percent that may well represent the margin of survival is derived from surplus-producing countries; and 80 percent of the exportable surplus of grain comes from the United States and Canada.

Between 1965 and 1973, American farmers supplied 80 percent of all food assistance to the needy countries of the globe. In that period, we donated \$8.8 billion worth of food, four times the amount contributed by all other developed countries combined. Many of the nations which live precariously on the edge of a food-deficient disaster are dependent on the farming know-how and success of producers in our American corn and wheat belts.

Dire scientific predictions that a weather change is in the making which would sharply reduce growing seasons in the more northern grain producing regions of China, Russia, and Canada by the year 2000, are coupled with projections that world population will double, probably even triple or quadruple present-day levels in another 50 years or less.

There are some experts who now believe the only world surplus grain producer available by year 2000 may be the United States.

Whether or not such an ominous prospect actually develops, there is every reason to believe that international dependence on U.S. agriculture will steadily increase in the last decades of the century and the first years of the next. It is, therefore, very much in the public's interest, that we not tamper with or endanger the productive capacity of American agriculture.

Agriculture, including forestry, is our Nation's biggest industry. From production input to the ultimate sale to consumers, it employs more than a fifth of our work force—some 18 to 20 million people. Remarkably, less than 5 million of that total are actually engaged in production. On 2.8 million farms are 3.3 million farm operators and family workers plus a million hired hands. A half million more are engaged in forestry and miscellaneous agricultural pursuits.

This phenomenally low manpower requirement and high degree of efficiency is made possible by the fact that U.S. agriculture is the most energy-intensive industry in the world. No other nation uses so much energy in its food production system.

The National Council of Farmer Cooperatives recently noted that between 1940 and 1973, while the U.S. population increased by 60 percent, on-farm employment declined by 6½ million people. In the same period, the number of workhorses and mules dropped from 14½ million to an inconsequential fraction of that number and the number of acres required to sustain animal power declined from 43 million to less than 1 million. The substitute for both human and animal power was, of course, energy. Between 1940 and 1972, tractor horsepower jumped sixfold, on-farm fuel consumption climbed fourfold, and petroleum expenditures rose fivefold. By 1975, America's farmers were spending \$3 billion a year on fuel.

At the same time, farmers became heavily dependent on agricultural chemicals for the protection of their production and on fertilizers for soil-building nutrients. The source of 95 percent of all nitrogen fertilizers is anhydrous ammonia which is produced from natural gas. Some 450 billion cubic feet of gas is used to produce the 12 million tons of anhydrous ammonia required by American agriculture annually. The fertilizer thus made available is considered to be responsible for up to 30 percent of all farm output. Many of the 300 basic pesticide chemicals are synthesized from petroleum, and many more use petroleum products as a delivery medium.

On the Btu basis, petroleum products and natural gas provide 90 percent of the energy need of our food and fiber industries. In contrast, the United States as a whole relies on these two sources for 75 percent of its energy. Fifteen percent of America's energy supplies are consumed each year by agriculture. Of that, 22 percent is for farm production,

28 percent for processing, 20 percent for input manufacturing, 18 percent for marketing and distribution, and 12 percent for farm family living.

Don Paarlberg, Director of Agricultural Economics for the U.S. Department of Agriculture, has testified that American farmers use "more energy than the total petroleum imported in 1974." He asserted quite validly that:

Agriculture's energy needs must continue to be supplied if this industry is to maintain its vital role as supplier of the basics of life to U.S. consumers and its secondary role of generating foreign exchange to permit continued imports of such products as petroleum.

It should be noted that in 1974, agricultural exports of food, fiber, and forest products amounted to over \$26 billion, or a billion more than the cost of our petroleum imports. Some 8 billion gallons of fossil fuel per year presently produce our food and fiber. This is accounted for by 3.5 billion gallons of gasoline; 2.6 billion gallons of diesel fuel; 1.7 billion gallons of liquified petroleum—LP—gas, half of which is used in crop drying; 140 billion cubic feet of natural gas, primarily for power for irrigation pumps; and 42 billion kilowatt-hours of electricity for pumping irrigation water.

However, Mr. President, the most critical need farmers have for energy is assurance of its constant availability. Agriculture is not an industry that can withstand cutbacks or curtailments of energy—even for relatively short periods. It is unique in this regard. Agriculture simply must be able to produce when the climate is suitable during the growing season. If energy supplies are interrupted, production collapses and will not resume for another year. There is no way to recover lost time in planting, tilling, and harvesting. By the same token, crop and livestock products must be promptly processed for consumption. They are perishable and cannot be set aside pending the outcome of a court decision or a hearing examiner's evaluation of a regulatory decision.

Furthermore, farmers require adequate leadtime for planting. So many variables are involved that it is almost impossible to make last minute readjustments to comply with a halt in the use of a fertilizer or pesticide or an injunction on the use of available water supplies.

In addition, farmers are committed to exceedingly long and difficult hours of work. They cannot be expected to spend additional time in extensive paper work beyond the recordkeeping, accounting, and form filing they are presently obliged to do. The bureaucratic workload imposed by the myriad Government programs and regulations now in effect already poses a staggering burden on farm producers.

Just one example is provided by the profile prepared by a member of the staff of the American Farm Bureau Federation:

Today's farmer is required, as a minimum,

to comply with the following direct paper work requirements:

He needs to secure a National Pollution Discharge Elimination System permit (NPDES) for each of his point sources of water pollution. The requirement to secure this permit and comply with its conditions is imposed by the Environmental Protection Agency (Section 402 of the Federal Water Pollution Control Act.)

If the farmer engages in any soil moving activity in a low-lying section of his farm, he is required, thanks to a "public interest lawsuit" which forced expanded application of the Act, to obtain a "dredge or fill" permit from the Army Corps of Engineers (Section 404 of the Federal Water Pollution Control Act). Each of these individual permits must be obtained prior to the initiation of such activities as drainage ditch construction, stream bank maintenance and improvement, pond construction, flood water diversion practices, dike construction and fish stream improvement. Fifty to sixty thousand such activities are conducted annually in the United States.

If the farmer wishes to control pests on his farm, and essentially all farmers do, he must become a "certified applicator of restricted use pesticides," in accordance with the requirements of the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), as amended, implemented by EPA. Obtaining such a permit, in addition to the filing fee, would necessitate attendance at a mandatory training session, or completion of a test, or some equivalent procedure.

Under authority of the same law, EPA also requires each farmer who intends control of "nontarget pests" (i.e., to use a pesticide on a crop for which it is labelled against a pest not (specifically named on the label) to obtain written permission and retain record thereof from a knowledgeable expert. Following application of that pesticide, under EPA authority, the farmer must post each field as having been sprayed or otherwise warn his employees of any reentry risk.

Additionally, any farmer is required to register with the Department of Labor and file reports as required by the Farm Labor Contractor Registration Act in conjunction with agricultural employment.

Workers Compensation posters must be prominently displayed.

Social Security taxes must be withheld and reported and, of course, they must meet the comprehensive requirements of the Internal Revenue Service.

Records must be maintained showing either compliance with minimum wage requirements or justifying an exemption.

Agricultural census reports must be completed and returned.

Complying with the reporting requirements may be the smallest part of the federal burden placed on farmers and ranchers. All farmers with employees are subject to the requirements of the Occupational Safety and Health Act. As a minimum this requires the display of an OSHA poster and the filing of accident reports with OSHA. OSHA requires, in addition to the display of the poster, that each farmer be familiar with the technical language of the OSHA regulations with relation to rollover protection standards, machinery guarding, farm labor housing and other requirements which occupy dozens of pages in the Federal Register, a publication with which farmers are not intimately familiar.

The farmer must be available to accompany an OSHA inspector at any time as he tours the farm looking for violations of these technical regulations. It has been estimated that the publication by OSHA of reporting requirements, rules, regulations, explanations, etc., would create a file 17 feet tall. It is absurd to imagine that any farmer might be familiar with those portions of that

17 foot file with which he must legally comply.

EPA requirements imposed on agriculture under the Federal Water Pollution Control Act and the FIFRA are equally complex and technical.

Mr. President, American agriculture is currently swamped by environmental controls and regulations. Depending, of course, on geographical location, farmers may be subject, for instance, to the provisions of the Federal Water Pollution Control Act—already alluded to—the Migratory Marine Game Fish Act, the Fish and Wildlife Coordination Act, the Endangered Species Act, the National Environmental Policy Act, the Coastal Zone Management Act and the Fish and Wildlife Act of 1956.

Farmers, in the manner of all good citizens, wish to be law abiding. Each of these laws with which agriculture must comply, taken singly, probably has merit. The Nation's farmers and ranchers could and would comply with any of them. However, taken collectively, they become so complex and so numerous that there is neither time nor the will for total compliance.

Mr. President, as that brief summary suggests, we are literally smothering the agricultural producer in paperwork.

Some of you may be familiar with the carefully documented case of the Washington State potato farmer who decided to combine a piece of desert land with his water supply and, through irrigation, make his desert land productive. This highly laudable goal was accomplished with the help of experts. In the process, however, that potato farmer had to obtain 47 permits and spend \$87,000 to reach his objective of helping to keep us well fed.

Do the Members of this great Senate of the United States believe that progress, the public interest, or the environment are served by requiring 47 permits to irrigate desert land where potatoes may be grown? Talk about the waste of energy and the misuse of our resources. Mr. President, we have passed so many acts, authorized so many regulations and controls and witnessed so many additional restraints by activist environmentalists and activist courts that the very future of the agriculture to which we owe so much is actually in jeopardy today.

Let me cite another example of how the obstructionists of environmentalism are impeding our food producers. On July 25, 1975, the Corps of Engineers of the United States launched a comprehensive regulatory program under section 404 of the Federal Water Pollution Control Act.

The objective of the act is commendable. It seeks to restore and maintain the integrity of our waters. As explained by former U.S. Senator Allen Ellender of Louisiana, the long-time chairman of the Senate Agriculture Committee, section 404 "simply retains the authority of the Secretary of the Army to issue permits for the disposal of dredged materials." This seemed quite acceptable since the Army Secretary is responsible for the maintenance of our navigable waters and

the improvement of channels for commerce in our waterway systems.

When the Water Pollution Act was approved by Congress, the Corps of Engineers was regulating some 50,000 center-line miles of river and 50,000 miles of lake shoreline. Until the filing of a so-called "public interest," lawsuit, there was no suggestion that Congress wanted to change that situation. However, such a suit was filed against the Corps of Engineers which the corps and the Justice Department vigorously fought. The suit demanded that the Corps of Engineers be responsible for policing every Department of Agriculture conservation program activity by requiring that a corps permit be obtained in each instance.

As a result, the corps was forced to issue regulations providing that:

First. Corps of Engineers' responsibility is escalated to cover 3.5 million miles of river centerline and 4.7 million miles of lake shoreline. In terms of river miles that amounts to a 70 fold increase; in lake shore miles, a 90 fold increase.

Second. Congress, which never authorized funding or increases in corps manpower for such an expansion of regulatory authority must, presumably, now find an additional \$5.3 million for an added 1,750 corps employees.

Third. Such an expansion of authority, never intended by Congress, and never requested by the Corps of Engineers, will require an estimated 60,000 more permits annually, based on USDA calculations of conservation program activity.

Fourth. It will take 6 months to a year to process each conservation program permit, meaning of course that the very pollution problems conservation programs are intended to abate will be aggravated by delays resulting from the bureaucratic red tape required.

The obvious burdens on smaller agricultural units caused by these proposed regulations produced a call for legislative action, and proposals were introduced in both houses of Congress to correct the misinterpretation the courts had put on the Water Pollution Control Act. The House of Representatives did act to correct the situation, but unfortunately, the Senate, by one vote, refused to follow suit. What the Senate did is accept what has been billed as a compromise, but which is actually the worst of all possible worlds. Under the "compromise" voted by the Senate, the Corps of Engineers has been relieved of authority over smaller streams, but the Environmental Protection Agency will be in charge. It is not immediately clear that that is an improvement. At this point we can only hope that the House position will prevail in conference.

At the outset of this statement, I cited the dependence of the American agriculture on energy. The issue has become crucial with the proposed divestiture legislation which would break up vertically integrated firms in the petroleum industry.

Farmers are convinced such legislation would be ruinous to their business—perhaps even catastrophic. It is obvious that the forced separation of functions in the petroleum industry which would be required by legislation reported by the

Judiciary Committee, could cause chaos in the oil business. It would certainly be likely to cause a disastrous upheaval in the present, relative stability of the farming business. In the first place, any separation of production, refining, transportation and marketing functions would inevitably lead to major supply and distribution problems. That would be a certainty over the short term. It would be likely to continue over the long term.

Farmers maintain an on-farm storage capacity of 32 million barrels of gasoline, diesel fuel, and kerosene. Even if this storage was full at planting time, many farmers would require added supplies, to get in the harvest.

Any divestiture-caused disruption to the availability of supplies would not only have an extremely adverse impact on the farm. It would severely upset the entire food and feed marketing system and the chain reaction would ultimately lead to skyrocketing Consumer Price Index. This, in turn would trigger sharply increased demands for higher wages and pensions.

I have heard no advocate of divestiture seriously argue that the proposed legislation would improve oil deliveries or secure them at lower prices. I have seen no evidence that such legislation could be enacted without disrupting the normal pattern of farm production and marketing.

Agriculture's energy consumption by 1980 is expected to be between 10 and 20 percent greater than it was in 1970. Every knowledgeable indication is that divestiture will interrupt growth in the petroleum industry, and that means farmers could not expect the larger fossil fuel supplies needed to meet their consumption requirements.

The seven largest oil companies today supply about one-third of all on-farm fuel sold in the United States. Farmer cooperatives supply a similar amount. The coops buy 85 percent of their crude oil and 30 percent of their refined needs from other oil companies which would be affected by divestiture. Thus, tampering with major petroleum companies and their supply lines would clearly work a hardship on the farm producers and their cooperatives.

A conservative estimate has been made that divestiture would so discourage capital expenditures and exploration risk investments in the oil industry that domestic production would decline by 2.5 to 4 million barrels a day. Based solely on today's consumption levels, agriculture's energy needs will require added imports in 1985 of \$15 billion worth of foreign oil—if the price remained constant with today's levels.

Without such an additional investment in imported petroleum, energy supplies for America's farms will decline by 5 percent in less than a decade. Iowa State University researchers tell us a 5 percent energy reduction in agricultural production means a 13-percent increase in food costs. It is hard for me to believe, Mr. President, that the American consumer is so anxious to break up the vertical integration of the oil industry that he would willingly spend 13 percent more for the week's groceries.

But then, of course, the people who so readily advocate such programs of industry dislocation as divestiture probably never stopped to consider the effect on a specific industry, such as agriculture.

According to the National Council of Farmer Cooperatives, since onfarm fuel sales represent only 3 percent of the total domestic market, no rural market enjoys more than two to four major suppliers. Divestiture might very well persuade the "majors" to withdraw from rural markets where distribution costs reduce profit margins as compared with many urban outlets. This would greatly exacerbate the farmer's problem in maintaining a steady source of fuel supplies.

In yet another area, that of nuclear power development, there is a persistent campaign by activist environmentalists to retard or scuttle development. The National Rural Electric Cooperatives Association is particularly alarmed. NRECA, in the same critical search for less expensive and more efficient generating power that private utilities are conducting, is concerned lest the rising power consumption so vital to agriculture be frustrated and curtailed. NRECA, for so long the champion of getting the power to the farmsteads of America where private utilities hesitated to go, finds its own future capacity to meet agriculture's needs in serious jeopardy if the antinuclear power lobby prevails in its delaying and crippling tactics. Where then, Mr. President, will farmers turn?

Where, in fact, may farmers now look for assistance in supporting the lifelines of agriculture? Who is there to help counter the blindly obstructionist, cause-bent, activist-dominated campaign to stop progress in the name of protecting the environment?

It is quite obvious that a proliferating number of activists in the public interest arena have determined that political issues should be made legal issues and that our judicial establishment is a most convenient and obliging substitute for the traditional legislative and executive arms of our system of government. This is the process that Paul H. Weaver, editor of *Fortune*, has characterized as "adversary government."

In a speech before the board of directors of the National Association of Manufacturers last February, Mr. Leonard Theberge, president of the National Legal Center for the Public Interest, diagnosed the problem confronting both agriculture and industry and, I would add, the real public interest of the people of the United States.

He noted that traditional political disputes are now being treated as legal issues, that the normal processes for effecting policy, the legislative and executive branches of government, are being bypassed, and that the judiciary has become the convenient and obliging tool for frustrating both public policies and private initiatives which, together, spell progress.

He said that in the past decade the number of groups and organizations working on our system through the courts has exploded. An estimated 500

attorneys are now engaged in public interest activism.

Such efforts are supported by private foundations, wealthy individuals, corporations, some well-meaning citizens, and even taxpayer dollars. Total funding in this area amounts to more than \$25,000,000 each year to litigate against the development of our natural resources and for restricting economic growth.

For some time neither business nor agriculture knew just how to respond to the challenge. Now, thanks to men such as Mr. Theberge, an alternative to the challenge has been found.

That alternative is, in fact, provided by the very organization Mr. Theberge heads—the National Legal Center for the Public Interest and its affiliated regional foundations of truly responsible public interest lawyers.

Though NLCPI considers itself as playing the role of providing "last resort" assistance, certainly it may help counter some of the ills that presently plague our farmers.

The National Legal Center for the Public Interest had its genesis, in a sense, in a memorandum to the U.S. Chamber of Commerce in 1971. The memo was written by attorney Lewis F. Powell, Jr., prior to his being named to the Supreme Court of the United States. He advised the chamber:

Under our Constitutional System, especially with an activist-minded Supreme Court, the Judiciary may be the most important instrument for social, economic and political change. Other organizations and groups, recognizing this, have been far more astute in exploiting judicial action than American business. Perhaps the most active exploiters of the system have been groups ranging in political orientation from liberal to the far left. Their success, often at business' expense, has not been inconsequential.

The California Chamber of Commerce heeded the warning and named a task force to study creation of an organization to combat extremists in the courtroom. Out of this emerged, in 1973, the Pacific Legal Foundation, the first public interest law firm in the Nation to advocate a balanced view of the environment and government action. Of particular interest to U.S. agriculture is the fact that one of PLF's most noteworthy initial successes was in arguing for the use of DDT to combat the tussock moth in the timber-producing stands of the Pacific Northwest.

PLF, as a result of this and other victories, convinced many clearheaded Americans that public interest action on the side of reason and responsibility should be undertaken more extensively across the Nation. In April 1975, the NLCPI was established in Washington, D.C., to expand the effectiveness of responsible public interest law.

NLCPI is a nonpartisan, privately funded and not-for-profit corporation. It seeks to represent traditional American values as opposed to collectivism, favoring the individual and supporting limited constitutional government, private property, the competitive free enterprise system and the protection of individual freedoms with responsibility. I might add that it is especially reassuring to me, as it should be to the other Mem-

bers of this Senate, to have someone in the field of public interest law stress the importance, constantly, of the terms "responsible" and "responsibility." Many of the most active public interest groups seem to have dropped these terms from their lexicon.

NLCPI has been instrumental in setting up the Mid-America Legal Foundation in Chicago, the Southeastern Legal Foundation in Atlanta, and is now organizing the Great Plains Legal Foundation in Kansas City under the direction of Mr. Arch Booth, retired president of the U.S. Chamber of Commerce.

Next year, plans call for additional litigation foundations in the Rocky Mountain, Middle Atlantic and Northeastern regions of the Nation. Such a network would then provide every State and community with access to a sound, sane, responsible and effective public interest law group. Such a group may then counter the cacophony of extremists in legal activist circles whose efforts are designed to vitiate our vitally important growth in the private sector and to defeat efforts both by government and private industry to achieve a reasonable degree on energy independence.

NLCPI is as dedicated as any of us to the intelligent protection and utilization of our national environment and natural resources. But unlike many in the public interest arena, it wants to maintain an equilibrium between resource development, agricultural and industrial growth and consumer demand. In the manner of blind justice balancing the scales, NLCPI, offers Americans a reasonable and effective alternative to extremism and potential disaster.

Farmers and ranchers, so long harassed, threatened and demoralized by efforts among extremists and regulatory bureaucrats which might cripple their unparalleled ability to feed us, may now take hope.

AMERICAN JOURNALISM AND MAO'S DEATH

Mr. GOLDWATER. Mr. President, with the death of Mao, we have seen an example of American journalism at one of its darkest hours, at least in the opinion-building centers of the east coast. The press in its major news articles related to the death of Mao has thus far failed completely in its task of informing the public. It has spread a mantle of darkness across the news in one of the most blatant efforts of historical revisionism I have ever come across.

To give just one example will prove my point. How any member of the press could fail to condemn Mao's censorship of the press itself and fail to defend the writer's own institution is beyond me. And yet, in not one of several long articles following the death of Mao did I see a specific reference to the lack of freedom of speech and the press in Mao's China.

Mr. President, I cannot be strong enough in expressing my disappointment with the way major American newspapers have presented the death of Mao to the American people. The utterances of the press in this case have been totally

removed from fact. Their glorification of Mao has run to massive extremes.

Mr. President, one prominent article in the Washington Post of September 12 informs the American public that Mao restored the "dignity" of the Chinese. The same article asserts, under the heading, "A Moral Community," that Mao possessed "well-known concerns with education, with culture, with creating a moral community."

Now, this is turning truth on its head as much as it can be. The answer of how Mao can be credited with seeking a moral society and with commanding a "moral force" is in the never-never land of some writer's mind and certainly does not exist in reality.

How can the utter lack of respect for human life by the Mao regime be called moral? How can the execution of millions upon millions of innocents be called moral? How can the cruel suppression of all religion be called moral?

Mao is the man who obliterated religion across the most heavily populated area of the world. Imagine the immensity of this deed. In a land of some 800 million persons, Mao has for all practical purposes accomplished the complete wiping out of all Christianity, of all Buddhism, of all Taoism, indeed of all open profession of faith in a Divine and good Supreme Being.

Oh, some temples are kept in operation—for secular meeting places. Yes, there is one active Catholic Church in Communist China, with one weekly service. In fact, it is usually attended by as many as 30 persons—mostly foreigners. This means that a church which in 1949 had 3.2 million active believers has now been reduced to some 30 worshippers—most of them non-Chinese.

The truth is that Mao has created a giant swath across a quarter of the population of the globe where devotion to God is punishable as a crime—where priests and clergy have been brutally tortured and exterminated—where symbols of goodness are banned and the mere possession of a cross may give cause for criminal punishment or for being treated as insane. And yet, in the American press, Mao is hailed for his efforts to create a "moral community."

Mr. President, the evil of Chairman Mao is virtually unparalleled in scope in the entire history of mankind. Perhaps, Adolph Hitler and Joseph Stalin may be considered in the same terms, but one would be hard put to think of other figures of the 20th century who visited such terror, human suffering and tragedy upon enormous numbers of human beings.

But where in the press is the voice of sanity? Where can we find the voice of God in the writings of the Mao apologists?

Turning to another of Mao's alleged accomplishments, that of education, let us examine what kind of education we are talking about. For we are most certainly not talking about education as we know it, a process for helping youth to think critically and independently. It is not an education where children are taught to seek knowledge for the sake of knowledge. It is not an education

where persons are educated to develop their own God-granted abilities to the fullest potential.

No, under Maoism, one is educated to believe that individual freedom is a selfish indulgence. One is taught to submit his will to the dictates of the party rulers. A Maoist education is one in which the entire educational process from infancy to death is politicized.

Indoctrination is the hallmark of education as Mao imposed it. Political reliability is the criteria for advancement, not personal skills. Obedience at every step of the way and conformity to the arbitrary and changing directions of Communist party rulers are the route to advancement, not one's intellect or true abilities. One must have a very distorted definition of education, indeed, to claim that Mao's ambition was to produce a better educated youth.

Next, let us look at the claim that Mao brought "dignity" to the Chinese people. The only kind of dignity that Mao brought to the Chinese is that of the grave. The number of persons murdered by the Communist Chinese under Mao is on the order of 50 to 60 million human beings.

Graves have been plowed up in the Maoist attack on the veneration of ancestors. Members of families are taught to denounce each other for lack of complete acceptance of the party line. Truck loads of individuals, who have dared to display a spark of self-independence, have been herded like animals to public execution grounds where large crowds have been mobilized to applaud their slaughter. Upwards of 30 million innocent Chinese are being arbitrarily imprisoned today as political prisoners in so-called "Reform Through Labor" and "Education Through Labor Camps," both of which are nothing short of being slave labor institutions.

Such is the substance of the "dignity" which Mao has given the Chinese!

But wait. The accomplishments of Mao are virtually unlimited, according to the press. We are told in the Washington Star of September 9 that Mao "provided the spark that lifted almost a quarter of the world's people from the stagnant, weak and divided wreckage of imperial greatness to vital, strong and united international power."

Now here is a colossal example of re-writing history if there ever was one. Imagine Mao being attributed as leading the Chinese from centuries of imperial dominance. I had always thought that it was the 1911 revolts which brought an end to the imperial system and the collapse of rule by the Manchus. Have today's journalists never heard of Sun Yat-sen, the great intellectual and activist leader of the real Chinese revolution?

It was Dr. Sun's revolution that succeeded in 1911, not Mao's. And it was Chiang Kai-shek who extended Dr. Sun's revolution, not Mao. For it was President Chiang who assumed leadership after the death of Dr. Sun and who achieved the political unification of China.

It is Mao who betrayed the true Chinese revolution. It is Mao who interfered with the courageous Chinese defense against the Japanese invaders and who

brought a tragic civil war upon the Chinese people.

What a cruel joke on history to acclaim Mao for the achievements of Dr. Sun and Chiang Kai-shek, achievements which were undermined by Mao. It was always Dr. Sun's deep faith that the entire modern world would benefit by the rejuvenation of China, but Mao sidetracked this goal by imposing an oppressive tyranny over the Chinese living on the Mainland.

Mr. President, the list could go on and on, but I will not go into any further details of the terrible distortions of truth which have appeared in news reports following the death of Mao. I can only regret that there appears to be a disease in the press, a sickness in which truth is reversed 180 degrees whenever Communist China is concerned. I just hope that the writers who have thus far failed to put an accurate, historical perspective into their stories on China will correct their error before the press loses credibility in the eyes of the American people.

PHI SIGMA DELTA DANCERS AGAINST CANCER MARATHON

Mr. BAYH. Mr. President, the Phi Sigma Delta fraternity of the University of Maryland will sponsor their seventh annual dance marathon this fall. Proceeds of this year's event will go to the American Cancer Society. The dedicated members of this fraternity donated the \$108,000 raised during the last three marathons to the society. Their efforts have contributed to the fight against cancer, a disease which strikes one out of every four Americans and kills more than 350,000 citizens each year. As an individual who is intimately familiar with the ravages of cancer, I wholeheartedly congratulate Phi Sigma Delta for assisting in the fight to end this dreaded disease.

The fraternity has also contributed to efforts to conquer muscular dystrophy. The \$93,000 raised during the first three dance marathons went to the Muscular Dystrophy Association of America. The 325 chapters and 96 clinics of this organization help many of the 200,000 people who are afflicted by muscular dystrophy. Two-thirds of these individuals are between 3 and 13 years of age. The organization also sponsors \$2 million worth of research every year. Phi Sigma Delta's efforts on behalf of the Muscular Dystrophy Association should be commended.

I am pleased to applaud the Phi Sigma Delta Andrew Estroff Dancers Against Cancer Marathon. I hope my colleagues will join me in hoping for the success of this effort.

LIFE ON MARS

Mr. GOLDWATER. Mr. President, one of the most exciting events that has ever occurred in the history of man was when *Viking 1* landed on Mars. I do not believe it is possible for the average American to even comprehend the almost impossible problems that faced this venture. Imagine trying to place a manmade device from Earth some place on Mars and landing it with a pressure of only a few

ounces on its landing pedestal. Imagine the ability to make the electronic devices work after so long in space in reaching the target. These are truly remarkable tributes to our scientists and to those who actually engaged in the construction of the Viking and its concept. We hope that sometime around 1980 a third Viking can be launched to do further exploration on Mars. There is ample evidence that water has been on this planet and may be there yet, and what we need to do is provide more experiments so that we can make better decisions. I believe the whole subject of space is now beginning to enthrall the American people, and I believe that the moneys that we have invested in space will come back many, many times to help the Americans who so gladly financed these hazardous, seemingly almost impossible ventures. I ask unanimous consent that an editorial from the New York Times of Tuesday, August 31, be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the New York Times, Aug. 31, 1976]

LIFE ON MARS

When *Viking 1* was sent on its long journey to look for life on Mars, there were few who took this goal seriously. Indeed, many viewed the exploit as a waste of the billion dollars the project required.

Even late last month, after the *Viking 1* lander had arrived on Mars and begun its planned explorations, it was easy to get estimates among scientists working on *Viking* that the odds against finding life on Mars were at least 1 million to one.

Now, all has changed. Sensible people have stopped quoting long odds against finding life on Mars. *Viking Project* scientists are actually urging the public to understand that there is yet no proof that life has been found on Mars, while they themselves cannot entirely resist the temptation to wonder whether the impossible has not happened, whether the very first effort to detect life on Mars has not been incredibly successful.

The reason for this remarkable reversal is that the instruments in the *Viking* lander's ingenious, compact laboratories have sent back the most improbable news. The biologists now concede that Martian soil is unexpectedly "active." They stress, however, that the chemical tests sent to Mars to detect life could, under some circumstances, be fooled by non-biological factors. Moreover, the data obtained up to now are in part seemingly contradictory.

The fascinating mysteries posed by the first results of *Viking's* biochemical experiments for the moment remain just that. All that is now clear is an appreciable possibility that Martian life has been discovered, even if perhaps not life as inhabitants of Earth understand it.

Viking 1 will undoubtedly produce additional valuable results, but *Viking 2* is already circling Mars and this week will send down its lander. The issue is no longer a blind search for possible life of Mars, but rather checking whether life has actually been found there, and the area where that may have happened is well known.

The need now is for a program to follow up the challenge of a historic triumph. The *Viking* rover, a mobile machine that might cover many miles and make many tests, is the logical next step in the exploration of Mars. Scientists used to call exobiology—the study of non-Earth life—a science in search of a subject. Now, there is a real possibility—though still no certainty—that exobiology may have found its first subject.

THE GENOCIDE CONVENTION AND "MENTAL HARM"

Mr. PROXMIRE. Mr. President, article II of the Genocide Convention, which lists those acts constituting genocide, states that the crime of genocide shall include acts "causing seriously bodily or mental harm" to members of a group, with the intent to destroy, in whole or in part, a national, ethnical, racial or religious group.

One objection often raised by opponents of the convention is the alleged vagueness of the term "mental harm." In order to allay any misconceptions about the meaning of these words, the Committee on Foreign Relations has recommended to the Senate the understanding to this article:

That the U.S. Government understands and construes the words "mental harm" appearing in article II(b) to mean permanent impairment of mental facilities.

The implementing legislation recently introduced by the Senator from Pennsylvania (Mr. HUGH SCOTT) further defines "mental harm" as:

The permanent impairment of the mental faculties of members of the group by means of torture, deprivation of physical or physiological needs, surgical operation, introduction of drugs or other foreign substances into the bodies of such members, or subjection to psychological or psychiatric treatment calculated to permanently impair the mental processes, or nervous system, or motor functions of such members.

There can no longer be any doubt as to the meaning of the term "mental harm." One need only recall the atrocities of Nazi Germany to find deplorable examples of mental torture. We must act now to prevent a recurrence of these crimes against humanity. I urge swift approval of the Genocide Convention.

A BRUTAL ACT

Mr. THURMOND. Mr. President, our Nation recently experienced a tragic shock when two U.S. Army officers, while supervising a tree-pruning task, were brutally murdered in an unprovoked attack by North Koreans in the demilitarized zone.

This blatant and inhumane act was another of many grim reminders since 1953 that the Korean war has not really ended. The reckless and premeditated barbaric actions by North Korea are designed in their irrational minds to sustain tensions and embarrass the United States to force our withdrawal. In reality, such actions reinforce our resolve to resist their aggressions.

Americans everywhere were not only united in their condemnation of this cowardly attack, they shared the grief of the families, friends, and relatives of Lt. Mark T. Barrett of Columbia, S.C., and Maj. Arthur G. Bonifas of Newburgh, N.Y. The U.S. Army and the Defense Department made an all-out effort to bring these dedicated officers home with honor and dignity to help ease the burden and despair of their loved ones.

Mr. President, I had the honor of meeting Mrs. Mark T. Barrett at the funeral

of her fine husband. She is a brave and courageous lady. Her recent letter to the Honorable Martin R. Hoffmann, Secretary of the Army, reflects her strong character and a dedicated spirit equal to her husband's.

During a period of unbearable bereavement, Mrs. Barrett took the time on August 26, 1976, to write Secretary Hoffmann to express her sincere appreciation for the way the Army brought Lieutenant Barrett home with "honor and dignity." Her spirit and her letter, which Secretary Hoffmann provided to me, impressed me very much. Mrs. Barrett did not object to my sharing her thoughts with my distinguished colleagues and others whose hearts went out to her and Mrs. Bonifas.

Mr. President, I ask unanimous consent that the letter from Mrs. Mark T. Barrett to Secretary Martin Hoffmann, dated August 26, 1976, be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

AUGUST 26, 1976.

MARTIN R. HOFFMANN,
Secretary of the Army,
Pentagon, Washington, D.C.

DEAR MR. HOFFMANN: I would like to express my deepest appreciation to the Department of the Army for its assistance to me during this time of tragedy. My heart aches to think that my Mark, a kind and gentle man, died on foreign soil in such an inhuman manner.

Nothing can bring him back to me. Nothing can ease my pain. Nothing can quell my sobs. I cannot understand the "why" of it all, and I doubt that I ever will. But the support and aid that I have received from Captain John Usher, Major General Richard Prillaman, and so many others from the Fort Jackson community have lessened the burden of the necessary business matters. I am grateful to the Army for bringing Mark home to me with dignity and honor, and I know that he too would thank you for helping me through this sad and difficult time. Truly, it can be said that the Army "takes care of its own."

Mark's murder and the murder of Major Bonifas are beyond my comprehension. I feel only the grief and despair of my own personal loss. But I know that the confidence and pride that Mark had in the United States was not unfounded. Mark loved his country deeply. He joined the Army out of a sense of duty and responsibility to me and to all Americans. I do not understand the United States' involvement in Korea. But Mark did. He was proud to serve with the United Nations Command; and I was proud of him.

I hope with all my heart that this conflict which is not called a "war," but which kills like "war" will be resolved before another husband or son or brother returns to us in a flag draped coffin. I pray that my husband's cruel death was not in vain, and that it will serve as a catalyst to an honorable resolution to what I understand is a difficult political situation. May God guide those to bear the responsibility for making meaningful decisions so that a senseless tragedy like this will never happen again.

Again, thank you for your kindness.

Sincerely,

Mrs. MARK T. BARRETT.

AN EXTRAORDINARY PUBLIC SERVICE BY SENATOR MOSS AND STAFF

Mr. CHURCH. Mr. President, I wish to commend two members of the Capitol

Police Force who performed outstanding service while assigned temporarily to the Senate Special Committee on Aging within recent months.

Their assignment was to work with temporary investigators and other staff of the Senate Committee on Aging in a recent investigation and hearings related to Medicaid fraud and abuse in New York and in three other States. Their specific responsibility was undercover work as "shoppers" at Medicaid mills in New York City and in cities in three other States.

Their findings were so startling that Senator FRANK MOSS, chairman of the Subcommittee on Long-Term Care of the Committee on Aging, decided to see for himself. After visits to three Medicaid mills in New York City, he confirmed that the practices described by the investigators were alarming, costly, and intolerable.

As chairman of the Committee on Aging, I take a great deal of pride in the achievements which earned such widespread attention at hearings on August 30 and 31.

The two Capitol Hill policemen who participated in the investigation are Privates James A. Roberts, Jr., and Darrell R. McDew. At this point I would like to give my personal thanks to Police Chief James C. Powell and Senate Sergeant-at-Arms F. Nurdy Hoffmann for making it possible to assign the two officers for this work. Privates Roberts and McDew visited more clinics than anyone else in the investigation, gave more blood for "tests," and bore up doggedly despite the wide number of illnesses diagnosed for them. I might add that they had received a complete physical and were pronounced physically fit before the shopping began.

Mr. President, the investigation in which the two police officers participated was significant not only for the specific wrongdoings they uncovered, but also for its ramifications as to the entire operations of Medicaid. In an editorial, the New York Times called the investigation—and in particular, Senator Moss' personal role in it—"an extraordinary public service." I agree with that estimate. I also ask that the Times editorial, along with several other commendatory editorials from other newspapers, be printed at this point.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the New York Times, Aug. 31, 1976]

MEDICAID SCANDALS—THE NEW YORK STORY

Rumors and suspicions about abuses of Medicaid funds have been rampant for so long that the public, expecting the worst, may not react with adequate anger and disgust to disclosures by the Senate Subcommittee on Long-Term Care. Without the outrage these findings so clearly call for, there is small hope that the revelations will be quickly followed, not only by essential reforms but by criminal prosecution of those who have enriched themselves at the expense of the taxpayers and of the poor for whom the funds are intended.

High on the agenda of any prosecution of Medicaid profiteers ought to be the recovery of the stolen money and its return to the local, state and Federal treasuries. At the same time, every effort must be made to prevent Medicaid abuses from generating popular and political opposition to the sound and

necessary concept of Medicaid—the vital Federal-state program that provides medical aid payments to the aged, blind and disabled.

Senator Frank E. Moss, Democrat of Utah, as the subcommittee's chairman, and other members of his staff performed an extraordinary public service by personally posing as indigent patients as they sought to uncover widespread Medicaid irregularities. What they found is a catalogue of flagrant breaches of the law and medical ethics. The compendium of thievery, which resembles more nearly the kind of revelations ordinarily associated with the Mafia than with members of a respected profession, includes the following carefully documented charges:

Individual physicians collected huge Medicaid payments, as illustrated by a list in New York State that cites more than 100 physicians whose Medicaid payments last year ranged from \$100,000 to nearly \$800,000.

Medicaid "mills" are flourishing in poverty areas, designed to defraud rather than serve the poor, while fly-by-night operators share the profits with greedy doctors.

Unnecessary diagnostic tests and X-rays are being routinely administered for only one discernible purpose—to enrich the laboratories, cooperating physicians and pharmacists, the latter in payment for unnecessary and therefore possibly harmful prescriptions.

A high incidence of false diagnoses arising from these practices poses a ready threat of physical damage to unsuspecting patients. Senator Moss himself displayed evidence in the form of bruises he suffered in the course of batteries of blood tests.

Although New York figured prominently in the Senate investigation of Medicaid abuses, the study, which also dealt with operations in Newark, Passaic and Paterson, N.J., Chicago, Detroit, Los Angeles and Oakland, leaves no room for doubt that the scandal is nationwide. The New York experience nevertheless provides, against the background of the state's and the city's strained finances, a particularly poignant insight into the nature and the impact of these crimes.

At issue is not the sort of rip-off that might be explained away as growing pains of a relatively new program. By conservative estimate, a one-year \$300 million loss in public funds has been identified by New York State authorities, much of it concentrated in New York City. The misappropriation of that much money has thus contributed directly to the city's and the state's fiscal plight, which in turn led to the firing of thousands of municipal employees.

By calling in more than 1,000 of the city's physicians to discuss questionable billings and referrals, the State Department of Social Services has hinted at the start of a massive clean-up. Here and elsewhere, the Moss committee's disclosures ought to be followed up quickly with a variety of essential actions. These include legislation to tighten the administration of Medicaid and eliminate loopholes which made it too easy to exploit a highly desirable social program; effective auditing at all levels; prosecution of those who have illegally enriched themselves or are otherwise guilty of unlawful medical practices; and efforts to recover the misappropriated funds.

Organized medicine has a special responsibility to give support to administrative and legal actions against unscrupulous practitioners. Spokesmen for medical associations are technically correct in pointing out that existing laws stand in the way of more effective self-policing by the professions; but whatever obstacles prevent the direct imposition of sanctions against unethical physicians ought not to deter the medical profession from cooperating to the fullest in governmental and judicial efforts to rid its ranks of practitioners who, by their disregard of law and ethics, have forfeited the protection and respect of their peers.

[From the Miami Herald, Aug. 31, 1976]

MEDICAID BECOMES A RACKET AND BILLION-DOLLAR RIPOFF

Members of a U.S. Senate panel working to draft reforms of the Medicaid program have their work cut out for them.

Medicaid could have been the model for a workable system of national health care, something that has steadily gained support as medical costs have soared beyond the means of average working folk. But in just 10 years, the program has been racked by massive fraud.

Investigators for the Senate subcommittee reported after a four-month study that as much as one-half of the program's \$15 billion annual cost is wasted through fraud and mismanagement.

Fueled by greed for easy government money, a whole new industry grew up around Medicaid, the investigators found. Doctors, dentists, optometrists and chiropractors made working partnership with real estate and land interests and created money-mill clinics.

Perfectly healthy federal undercover agents who visited hundreds of these clinics were run through what they called "ping pong" testing, being bounced from one office to another, as the bills mounted. Despite their complaints about suffering only minor colds, the "patients" wound up being given—and billed for—electrocardiograms, hearing tests, blood examinations and TB exams. They got "bushels" of costly pills.

Sen. Frank Moss of Utah, who chairs the subcommittee, went undercover to see the problem for himself. In addition to getting the unneeded exams and prescriptions, Sen. Moss wound up with bruises all over his arms from inept blood testing. He called the situation "maddening."

Obviously, the findings are a chilling indictment of the lack of decency among a segment of the business and medical communities. Criminal action has already been taken against thieves in the profession and it should be continued.

There is an even greater danger to the public good in the negative image the frauds have created. They've done enormous harm to the hope that a government-run program of health delivery services could bring aid to the poor and elderly at reasonable cost.

What is "maddening" to Sen. Moss, and an outrage to us, is that the program is being sabotaged not by bureaucratic fumbling but by deliberate lying, cheating and stealing. In their report, investigators cited "kickbacks, finders fees" and other ripoffs as the major source of losses, even greater than ineptitude.

Columnist James Kilpatrick recently demanded to know why the American Medical Association isn't outraged and doing something to police its members. It's a question worth repeating.

If the Moss panel's report isn't enough to get the AMA outraged enough to take action, we can't imagine what it will take.

[From the Santa Barbara News-Press, Aug. 31, 1976]

MEDICAID RIPOFFS EXPOSED

The reports of blatant fraud in the nation's Medicaid program in five states including California, where it is called Medi-Cal, are shocking and disgraceful. The report by a U.S. Senate team headed by Sen. Frank Moss (D-Utah) would be even more shocking had not teams of investigative reporters for the press and television already conducted investigations that pointed to the same abuses.

During eight months Sen. Moss and his investigators visited more than 200 welfare clinics. They posed as patients and, in most cases, told the doctors that they "had a cold." Their experiences were so ludicrous that they evoke a bitter chuckle. One of the undercover agents, a woman who complained

of the customary cold, received a three-minute inspection from a physician and was billed for \$46. Another woman went to a clinic in Los Angeles, bearing a mixture of soap and cleaning powder, which she said was a sample of her urine. The clinic, after purportedly testing it, told her that it was "normal." Sen. Moss, posing as a skid row Medicaid patient with a cold, was given a battery of tests and referred to several specialists.

All told, the investigators made more than 200 visits to doctors, most of whom were operating in conjunction with what is known as "Medicaid mills." They took their "colds" and sore throats to 85 practitioners and were given 100 x rays and, in their own words, "bushels of prescriptions." All of the investigators, of course, had received a clean bill of health from honest doctors before they went fishing in the polluted waters of the Medicaid mills. The investigators concluded that rampant fraud and abuse exist among the physicians, dentists, chiropractors, pharmacists and other health-care professionals who participate in the Medicaid program. The investigation was conducted in Chicago, Detroit, New York, Los Angeles, Oakland and three cities in New Jersey.

Despite complaining of minor ailments such as the colds, the investigators were given almost every test in the book. They were tested for glaucoma, tuberculosis, poor hearing and brain disease. They received 18 electrocardiograms and came away with seven pairs of eye glasses. Of all the doctors that they saw, only one told one "patient" that there was nothing the matter with him.

The five populous states were chosen because doctors and clinics in those states receive half or more of the \$15 billion a year that the nation spends for Medicaid and Medi-Cal, which is the federal-state program that provides health care to low-income families and individuals. The investigating committee estimated that Medicaid mills, which are often shabby store-front clinics in low-income districts, are receiving 75 percent of the \$3 billion paid by Medicaid yearly to dentists, doctors, pharmacies and laboratories.

In fairness to doctors and health-care personnel in general, it should be stressed that the investigations were conducted in metropolitan areas. Even so, all doctors and professional health-care workers should be concerned about this cancerous sore on their professional escutcheon.

The trouble with Medi-Cal and Medicaid as we see it is that both state and federal governments have been running a loose ship, tolerating abuses that should not be too hard to curb. In New York City alone, the Moss committee estimated that taxpayers are being ripped off to the tune of \$300 million by Medicaid fraud.

Sen. Moss and his team deserve credit for this official investigation. Our only fear is that, scandalous as it is, the bureaucrats and the Medicaid mills will weather the storm and still be doing business at the same old stand or one around the corner.

[From the San Francisco Chronicle, Aug. 31, 1976]

MEDICAID FRAUDS

The Medicaid program has been found by investigative patients from Senator Frank E. Moss's Special Committee on Aging to be a good deal sicker than anticipated. A quick diagnosis based on the scabrous sort of evidence they exposed would designate the ailment as a desperately wasting and debilitating one. On a less medical level "ripoff" would aptly sum up the situation.

That investigators from the Utah Democrat's committee were able to find some fraud in the program was no surprise. It was the extent of the mismanagement, waste and fraud—all those needless, badly-executed

tests, that continual flouting of medical ethics—that had a numbing effect. The store-front clinics, known as "Medicaid mills," where most of the fraud occurs, receive 75 per cent of the \$3 billion paid by Medicaid each year.

New York City's fiscal crisis was attributed, in part at least, to the sapping effect of such malfeasance. New York State, which accounts for one of every four Medicaid dollars, loses \$444 million in Medicaid fraud each year—with \$300 million of that drained out of New York City. Had the city taken prudent steps against abuse, as suggested over the last 10 years, the committee said New York's economic plunge might have been avoided.

The waste in prescribing questionable tests—electrocardiograms for a suspected cold, or urine readings that don't discriminate between soapsuds and the real thing—is appalling, both in dollars down the drain, as well as general prostitution of the aesculapian code. But what is truly shocking is the damage to health and risk of life that are concomitants of the monetary fraud.

For along with all the rapacious money-grubbing, the investigators said they saw "patients with very real and obvious medical problems that were going untreated." That is an unconscionable situation and the Moss committee has provided a valuable service in bringing it to our attention.

[From the Salt Lake City Tribune, Sept. 2, 1976]

MEDICAID ABUSES CHALLENGE HEALTH CARE PROFESSIONS

In 1955 President Johnson told Congress that, "We can—and we must—strive now to assure the availability of and accessibility to the best health care for all Americans, regardless of age or geography or economic status."

Congress responded by creating a Medicaid program for the needy and Medicare to aid the aged.

Some 10 years later, according to Utah's Sen. Frank E. Moss, Medicaid is so riddled by fraud and overutilization that 25 percent of its \$15 billion budget is wasted.

Instead of providing needed health care the Medicaid money is enriching unscrupulous doctors, pharmacists, chiropractors and real estate operators. Worse still, says Sen. Moss, the federal government's attempt to end the abuses has been "singularly unimpressive."

Fraud in Medicare has not been documented as thoroughly but there is every reason to believe that waste and overutilization are rampant in that program, too.

Sen. Moss and staff members of his subcommittee of the Senate Committee on Aging, visited clinics in several states disguised as Medicaid beneficiaries. The subcommittee's findings reflect the sordid conditions they found which siphon off billions of dollars of health care funds each year.

Medicaid abuses spring from several sources. One is pure greed and dishonesty of the practitioners involved. Another is the nature of medical care itself which conditions a patient to meekly do what the doctor says. Enormous size of the Medicaid program, with the mountains of paperwork involved, makes strict policing almost impossible.

All of these are contributing factors. But the basic trouble with Medicaid—and we hate to say it—is that the responsibility for providing treatment is left to profit-motivated individuals and businesses. Medicaid is being stolen blind because its services are dispensed by private doctors and pharmacists instead of salaried, government employed doctors and pharmacists.

Sen. Moss is sponsoring legislation to create a central fraud and abuse unit in the Department of Health, Education and Welfare and an office of inspector general to co-

ordinate anti-abuse efforts. The approach emphasizes treating the symptoms rather than the underlying causes.

A peer review system, pioneered in Utah and passed into law at the urging of former Utah Sen. Wallace F. Bennett, has trimmed costs and eliminated much unnecessary service in Utah. But its implementation nationally has been hampered by legal challenges and less than avid support by the health care professions in some parts of the country.

A federally-funded and administered system of health care for the needy patterned, for example, on the Veterans Administration, might produce only average quality treatment. But it would have the advantage of permitting the people, who actually put up the money, to also have firmer control over how it is spent.

Unless the health care professions can come up with a workable plan for controlling their shady and greedy practitioners, a system of government operation is inevitable. The Moss findings vividly document the challenge facing the professions.

[From the Lewiston Morning Tribune, Wednesday, Sept. 1, 1976]

THE MEDICAID MILLS

The Medicaid mills uncovered by the Senate Committee on Aging are unconscionable on two counts: The phony treatments ordered by the clinics bilk the taxpayers. And they drive up the price of a program that is already costing the patients far more out-of-pocket cost than they can afford.

Clinic operators who become wealthy at the expense of the indigent aged are on the same moral plane with cancer quacks. It is time for the Department of Health, Education & Welfare to clean up its act. The department, which is supposed to police abuses of the medical care system, has a crime wave on its hands.

HEW Secretary David Mathews was quoted by White House Press Secretary Ron Nessen as having charged Aging Subcommittee Chairman Frank Moss of Utah with "grandstanding." Nessen said Mathews contends he is "well ahead of Moss in identifying the problem and solving it."

In what way? Where are the HEW reports to the public on these abuses? What are the solutions Mathews has in mind, and when will they be instituted?

With Mathews and HEW dodging their responsibility, it is fortunate that someone is grandstanding on the issue. Because of Moss, the other committee members and the remedial legislation they propose, the problem has been identified and some of the solutions are on the way, no thanks to HEW.

Mr. CHURCH. My commendation is directed at Privates McDew and Roberts, but I think that a few additional words are in order as to the contributions made by Senator Moss, temporary investigators and other staff of the Committee on Aging, and volunteers and internes who took part in the total effort.

The Senator from Utah, as I indicated earlier, decided to go to New York City because earlier visits by investigators had yielded reports so startling that Ted Moss had to see for himself.

Working with law enforcement authorities, Senator Moss obtained a medicaid card, put on the oldest clothing he could find, and entered two "health centers" and complained of a rather mild health problem. In each case he was "ping-ponged," or directed to one specialist after another for treatment he did not need, having been pronounced in fine physical shape just a few days before. Then, after

all the examining, he was given prescriptions he did not need. All of this normally would be charged to the taxpayer. All of this took place in a city where large numbers of older persons who really need prescriptions have to do without them because medicare does not cover them and medicaid is too cumbersome or foreboding to attract them.

Senator Moss also visited a third "mill," catering to the addict community, so atrocious and unsavory that his unseen escorts on the streets outside were concerned about his safety.

The Senator's visit was dramatic, but he has stressed that it was just one event in a long and arduous effort involving many others:

Mr. Val Halamandaris, Associate Counsel of this committee, who organized the entire investigation and who made personal visits in New York City to several clinics and who maintained close working relationships with agencies and law enforcement officials in the four States—New York, California, Michigan, and New Jersey—which were visited.

Committee Investigator William Halamandaris, who bore a heavy responsibility for field operations during the "shopping" and other investigatory activities. He was assisted in this work by temporary investigator David L. Holton, who also spent many hours backing up shoppers and in related activities. They received considerable support from the home office by temporary committee staff member Thomas G. Cline.

Patricia G. Oriol, chief clerk of the Senate Committee on Aging, volunteered at the outset to become a "shopper" when it became known that all prior "shopping" conducted by medicaid regulatory agencies failed to include women among the shoppers. It was felt by Mr. Halamandaris that she could make a special contribution, and she did, visiting "mills" in all four States.

Catherine Hawes, temporary committee investigator enlisted for "shopping" about mid-way in the investigation and performed valuable service.

Volunteers Suzanne Kaufman, Debbie Galant, Edward U. Murphy and summer internes Arcola Perry and Stephanie Fidel worked around the clock at the home office on occasion to examine records and perform other tasks which made interpretation of field work findings feasible.

Here was a relatively small group of persons, including a few seasoned Senate employees and several persons very new to Capitol Hill. They improvised, performed drudge labor when it was required, and kept their poise when difficult situations arose.

In doing so, they made the point—more dramatically than it has ever been made before—that medicaid fraud, abuse, and decadence is so widespread and costly that it can no longer be tolerated. Senator PERCY, ranking member of Senator Moss's Subcommittee on Long-Term Care, made that important point more than once during the hearings; and I heartily agree with him.

Mr. President, I will not go into great detail on the scope and findings of the investigation here. A fine staff report

called "Fraud and Abuse Among Practitioners Participating in the Medicaid Program," was issued in conjunction with the hearings; and it gives full information.

I will, however, say that the shopping investigation was merely one element, an important one to be sure, in far more extensive effort which resulted in the report's findings. Among the other elements were: Examination of more than 100 reports about fraud or waste in medicaid, review of the records of law enforcement authorities in New York and Michigan, manual evaluation of computer records compiled from payment records of the New York City Department of Social Services, interviews and written interrogatories to dozens of public officials in New York and interviews with more than 60 physicians in the same city; conversations with would-be sellers of a health care facility, and monitoring of the operation of a storefront medical clinic established last December by Chicago's Better Government Association.

All of this effort is interwoven with long-standing and ongoing projects by the Subcommittee on Long-Term Care, including hearings and reports on nursing home problems and achievements, development of so-called alternatives to institutional care, and the overall objective: development of effective and efficient community-based "spectrums of care" to provide appropriate care to older persons in need of it.

I personally commend Privates Roberts and McDew and all concerned for the latest service they have performed for the Congress and for the people of the United States.

COMMENDATION OF CAPITOL HILL POLICE

Mr. WILLIAMS. Mr. President, I join with Senator CHURCH in commending Privates Darrell McDew and James Roberts for their dogged and resourceful undercover investigations of medicaid fraud.

As Senator CHURCH has said, the two police officers demonstrated courage as well as skillful investigatory techniques during a long and often trying assignment with the Senate Committee on Aging.

I take special pride in the fact that I recommended Private Roberts to his appointment with the Capitol Police Force. He is a fine man and a good law enforcement agent. His parents in Montclair, N.J., and all his friends in other parts of New Jersey join with me, I know, in that sense of pride.

Mr. President, I ask unanimous consent that an article written by Myron Struck for the current issue of Roll Call be printed in the RECORD. Called "Darling Officers Go Undercover," this excellent story gives a vivid and informative account of the many difficulties encountered during the investigation. I would also like to have printed my statement at the August 30 hearing at which the investigation was discussed.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DARING OFFICERS GO UNDERCOVER

(By Myron Struck)

"There were times when I felt no more human than a dog," said the 34-year-old black man. He is testifying before the Senate Special Committee on Aging's subcommittee on Long-Term Care. "I was sent from doctor to doctor, test to test, without so much as an explanation."

The man is Pvt. Darrell R. "Scotty" McDew, a soft-spoken pencil-thin member of the United States Capitol Police corps. For the past four months, he—and colleague James A. "Jimmy" Roberts, Jr.—were detached from official active duty to participate in an undercover investigation with the subcommittee.

The officers, and two other subcommittee staffers, visited approximately 200 "Medicaid mills" in New York, Michigan, New Jersey and California hoping to determine the degree of fraud and abuse perpetrated by practitioners receiving \$100,000 or more in the Medicaid program.

"The filth and stench in a large majority of the facilities I visited was disgusting," Pvt. McDew testified. "I found it very upsetting to see cockroaches crawling on the floor of a medical office—the walls were dirty, cigarette butts littered the floors and ashtrays were overflowing."

The participation of the Capitol Police officers was unprecedented—and it proved to be an activity that they both enjoyed "as an experience," and an effort that they believe "contributed to the reform of an abuse of a bureaucratic system."

The project was conceived in the wake of a February, 1976 study of "Fraud and Abuse among Clinical Laboratories," that focused on Chicago and was featured on a CBS "60 Minutes" segment.

Pvt. Roberts, who saw the show, offered congratulations shortly thereafter to the subcommittee's counsel Val J. Halmandaris. The counsel showed his "appreciation" by explaining a "half-baked idea" of getting a "couple of (experienced) police officers to go undercover with the investigators in Phase II."

Roberts thought about it, asked McDew to join him, and the two of them were off to "some hair-raising experiences."

The mission, Halmandaris explains, was to "present ourselves for treatment and see what they do to us." The two officers, Halmandaris and committee staffers Patricia Glidden Oriol and Catherine Hawes all underwent physical examinations. The officers, in fact, were examined by Dr. Freeman Carey, attending physician of the U.S. Capitol.

All were in "excellent health" with no medical infirmities of any kind, according to the staff report.

Through the course of the four months, the men and women entered 120 different clinics in New York, New Jersey, Michigan and California, making 200 visits. Only once was a prospective customer given a clean bill of health.

"I honestly feel that if I had a serious illness, it would remain undetected and untreated," Pvt. McDew said in his testimony. "I am saddened to think of the many people who have to endure this kind of treatment and conditions that I experienced during the investigations."

The acid test, though, was going into New York's lower east side. It's the bowels of New York where the garbage cans in "your backyard—here in Washington—are cleaner than the streets there," Roberts said.

"We were in sections of New York where I'm sure the cops wouldn't even go," Roberts continues. His usual procedure was to enter a clinic and proclaim an earache and a head cold.

The men, at all times, were under the watchful eye of the surveillance unit—composed of others in the group, plus David

Holton. Using a commonplace blue van, Holton was equipped with a two-way radio, test equipment and photo equipment. During the New York portion of the probe undercover IRS agents offered additional back-up in other unmarked cars.

Holton, who is a Sam McCloud-like TV character, complete with Dennis Weaver mustache, boots and a background rooted in the Colorado Sheriff's department, explained the situations sometimes got a "little hairy."

After sitting around a Puerto Rican slum for about three hours and alternately tinkering with the carburetor and reading the paper, he noticed other "unusual characters" seemingly staking out the area. One of them leaned against the van, and he had to shut down the static-producing two-way radio. He didn't know, he says, if he was about to become a target for a mugging, a mobster or another undercover operation was going on in his presence.

Since Jimmy was still inside the 'clinic' he decided to hold the cover. "It wasn't too long before it looked like the entire New York City police department was swooping down, blocking off the street and raiding a place nearby," Holton explains. "I calmly walked up to one of the uniformed officers and showed him my Senate ID and explained the situation. Our cover remained intact."

The team found indications of ping-pong-ing (the unwarranted referral of patients from one practitioner to another with the facility), ganging (billing for multiple services) upgrading (billing for services more extensive than actually provided), steering (directing a patient to a particular pharmacy) and billing for services not rendered.

According to the staff report, "The key is volume. You have to have referrals and return visits. You have to get them to come back and bring their friends."

Pvt. Roberts says it another way: "Good medicine is bad business."

Throughout the four months, they did not have their cover blown once although the drug bust incident and several others were "close calls."

Roberts, a four-and-a-half-year veteran of the Capitol Police, is 29. He was appointed to his position from Montclair, N.J. by Sen. Harrison A. Williams, Jr., (D-N.J.) He is short and sturdy, and far from being chubby. A muscular, stocky body would be more appropriate.

"We weren't scared, really," he says. "But, sometimes while we were being examined, we heard blood curdling screams."

His partner, Scotty McDew, has been on the force for 2-and-a-half years, and has in his educational background Prince George's Community College, 10 years in the Navy, and a stint as a corrections officer on the PG Sheriff's Department.

Their activities—known as "shopping"—were conducted without the intent to convince the unsuspecting practitioners that they were sick or ill. They claim they carefully said they "thought" they had a sickness or illness at all times. Often, they say, they were not even touched before medication was recommended.

Their visits averaged five minutes with a 'physician' and two to two-and-a-half hours in a waiting room.

Sen. Frank E. Moss (D-Utah), chairman of the subcommittee, was so impressed with the dedicated efforts of the investigators he personally donned a scruffy looking outfit for two days and paraded into several clinics himself.

His ID card: "F. Edward Moss" with an address that was their temporary home, the Statler-Hilton Hotel.

"When we had the Senator out there, we went into one place that had a gang war going on outside," McDew says.

Roberts adds that they had an unusual

experience then, as well. Hilton was trying to take the photographs when a gang of "street dudes" came up to his van and inquired within.

"I did some quick thinking and told them I was taking stills for a prospective movie that Scotty McDew was going to star in," Holton said, "I'm sure they didn't really believe it, but they went over to Scotty and asked him." He breaks up laughing.

On September 15 the two officers—still the subject of jibes from their colleagues (although with a good bit of respect)—will go back to active duty on the 3 PM to 11 PM shift on the Senate side.

Secretary of Health, Education and Welfare David Mathews—as the situation of Medicaid mills was exposed—said Sen. Moss' filmed excursion and the efforts to show what went on in the 'mills' was "grandstanding."

A grim look crosses the faces of the officers, their colleagues and subcommittee staff director Bill Oriol at the mention of this skepticism.

"The fact that we could, with only a small amount of people, uncover this fraud is indicative that no one is doing anything," Oriol said. According to the staff report, the investigators grew to learn that most of the problems with the New York program at least were known for more than 10 years but a force of only four investigators with little funding and power, meant only a continuation of the status quo.

Besides the dramatic portrayal of the problems of the Medicaid system that have been given widespread attention, the case opened the doors to continued use of experienced law enforcement officers—like Pvts. Roberts and McDew—to aid with further investigations.

"I feel bad about what I saw," says Pvt. Roberts. "But we feel good about what we were able to do to correct a bad situation," said Pvt. McDew.

STATEMENT BY HONORABLE
HARRISON A. WILLIAMS, JR.

Mr. Chairman: I am pleased to address this hearing by the Subcommittee on Long-Term Care. The hearings conducted by this Committee, chaired by Senator Moss, have been greatly informative. They have provided the Congress with valuable insights into fraud and abuse among nursing homes, clinical laboratories and other providers in the Medicaid program.

I expect today's hearings will serve the same end, that is providing the Congress with the information it needs with which to legislate.

I am proud that my State of New Jersey has been, over the years, one of the most active in terms of preventing fraud and abuse in the entire nation. According to HEW statistics, New Jersey is one of the three States with excellent "fraud detection" programs. I am glad to see that the New Jersey Special Commission on Investigation will testify today, sharing the results of their good work with this Subcommittee and with the Nation.

I think by now everyone knows my commitment to national health insurance and to expanding Medicare and Medicaid benefits for the aged, blind and disabled. I am troubled that hundreds of people may be going without the health care they need. But I am just as troubled by the increasing reports of fraud and abuse in these programs. I am hoping that these hearings will help us to redirect government moneys so as to eliminate waste and to provide greater benefits for the needy.

Finally, Mr. President, I would like to express my personal admiration for Senator Frank Moss, Chairman of the Committee's Subcommittee on Long-Term Care. While Chairman of the Committee on Aging, I had

a high regard for Ted Moss's work on behalf of better care and better protection of public funds in the nursing homes and other long-term care institutions of this Nation. More recently I have been impressed by his determination to end fraud and wasteful practices in the Medicare and Medicaid programs. The most concrete expression of that concern came when he personally visited Medicaid mills in New York City this year and saw for himself that undercover investigators had not exaggerated when they reported on the flagrant profiteering and terrible conditions existing in so many of the Medicaid mills which have sprung up in so many low-income areas of our Nation. We do need care for people in these areas, and some practitioners and groups of practitioners are trying to provide quality care without robbing taxpayers' dollars. But their efforts are overshadowed and even endangered by the spectacular misdeeds of the Medicaid profiteers. To Senator Moss, Privates McDew and Roberts, and staff and volunteers who participated in this outstanding effort, my heartiest congratulations.

COMMENDATION FOR PRIVATES ROBERTS AND
M'DEW

Mr. MOSS. Mr. President, I join with Senator CHURCH in commending Privates James Roberts and Darrell McDew of the Capitol Police Force for their work with my Subcommittee on Long-Term Care of the Senate Committee on Aging.

Senator CHURCH, as chairman of that committee, feels as I do that these two police officers have performed a significant service not only to the Senate but to the entire Nation. They have made a distinctly personal contribution for much-needed reform of the Medicaid program, displaying skill and courage as they did so.

I appreciate the kind words said here this morning about my role in the investigation of "Medicaid mills" in New York City. I thought it was important that I have a firsthand look at the outrageous conditions reported to me and I visited three mills.

But Privates McDew and Roberts bore the brunt of the day-in and day-out undercover work which made the investigation so worthwhile. Provided with official Medicaid cards from law enforcement sources, they visited dozens of Medicaid mills and underwent any number of indignities, trying circumstances, drudgery, and hours and hours of waiting.

Their part in the investigation would not have been possible without the all-out cooperation of their police chief, James C. Powell, and the Senate Sergeant-at-Arms F. Nordy Hoffmann. A vote of thanks is also in order to the Senate Committee on Rules and Administration, which approved of several unusual arrangements necessary for the success of the investigation.

I would also like to express a personal word of appreciation to Val Halamandaris, who planned and conducted the overall investigation, and all committee staff, volunteers, and interns who worked with him. Their work was invaluable as was the contribution of Privates Roberts and McDew. Their commendation is well-earned, and I am proud to join Senator CHURCH in this effort.

COLUMBUS JEWISH FEDERATION:
HALF CENTURY OF SERVICE

Mr. GLENN. Mr. President, on Sunday, September 19, a very significant dinner will take place in Columbus, Ohio, to commemorate the 50th anniversary of the Columbus Jewish Federation.

I am pleased to have this opportunity to call my colleagues' attention to this wonderful milestone. Since Columbus is my home, I have had the chance to witness firsthand how the federation has come to the assistance of community youth, families, the aged, the infirm, and many others who need a helping hand.

Its activities, while centering on Columbus, have been national and international in scope, as well, and a significant portion of the federation's budget has gone to helping Israel develop and defend itself. More than 3,500 citizens belong to the federation, and their contributions and active participation have played a major role in making the organization a valuable community asset. I have had the privilege of joining federation members at events in the past, and I have valued these opportunities very much. There is a contagious spirit of respect and service that pervades activities of the Columbus Jewish Federation.

I am sure that the 50th anniversary "Eyewitness to History" dinner on Sunday will follow in that tradition. The guest speaker is to be the honorable Philip Klutznick, president of the World Jewish Congress, and I am sure his message will be inspirational and worth noting by us all.

May I also take this opportunity, Mr. President, to note that Sunday's dinner marks the transition of the federation presidency and that Mr. Ernest Stern will be guiding the organization for the next 2 years, succeeding Mr. Sidney Blatt.

PROPOSED ARMS SALES

Mr. SPARKMAN. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of \$25 million or, in the case of major defense equipment as defined in the act, those in excess of \$7 million. Upon such notification, the Congress has 30 calendar days during which the sale may be prohibited by means of a concurrent resolution. The provision stipulates that, in the Senate, the notification of proposed sale shall be sent to the chairman of the Foreign Relations Committee.

In keeping with my intention to see that such information is immediately available to the full Senate, I ask unanimous consent to have printed in the RECORD at this point the two notifications I have just received. A portion of the notification, which is classified information, has been deleted for publication, but is available to Senators in the office of the Foreign Relations Committee, room S-116 in the Capitol.

There being no objection, the notification

were ordered to be printed in the RECORD, as follows:

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 13, 1976.
Hon. JOHN J. SPARKMAN,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR Mr. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding under separate cover Transmittal No. 7T-56, concerning the Department of the Army's proposed Letter of Offer to Israel estimated to cost \$9.1 million.

Sincerely,

H. M. FISH,
Lieutenant General, USAF, Director, Defense Security Assistance Agency,
Deputy Assistant Secretary (ISA), Security Assistance.

TRANSMITTAL No. 7T-56

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

- a. Prospective Purchaser: Israel.
- b. Total Estimated Value: \$9.1 million.
- c. Description of Articles or Services offered: [Deleted.]
- d. Military Department: Army.
- e. Date Report Delivered to Congress: September 13, 1976.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 13, 1976.
Hon. JOHN J. SPARKMAN,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR Mr. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding under separate cover Transmittal No. 7T-55, concerning the Department of the Army's proposed Letter of Offer to Israel estimated to cost \$15.5 million.

Sincerely,

H. M. FISH,
Lieutenant General, USAF, Director, Defense Security Assistance Agency,
Deputy Assistant Secretary (ISA), Security Assistance.

TRANSMITTAL No. 7T-55

Notice of proposed issuance of letter of offer pursuant to section 36(b) of the Arms Export Control Act.

- a. Prospective Purchaser: Israel.
- b. Total Estimated Value: \$15.5 million.
- c. Description of Articles or Services Offered: [Deleted.]
- d. Military Department: Army.
- e. Date Report Delivered to Congress: September 13, 1976.

PROPOSED ARMS SALES

Mr. SPARKMAN. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of \$25 million or, in the case of major defense equipment as defined in the act, those in excess of \$7 million. Upon such notification, the Congress has 30 calendar days during which the sale may be prohibited by means of a concurrent resolution. The provision stipulates that, in the Senate, the notification of proposed sale shall be sent to the chairman of the Foreign Relations Committee.

In keeping with my intention to see that such information is immediately available to the full Senate, I ask unani-

mous consent to have printed in the RECORD at this point the notification I have just received.

There being no objection, the notification was ordered to be printed in the RECORD, as follows:

DEFENSE SECURITY ASSISTANCE
AGENCY AND DEPUTY ASSISTANT
SECRETARY (SECURITY ASSIST-
ANCE). OASD/ISA,

Washington, D.C., Sept. 13, 1976.

In reply refer to: I-8429/76.

HON. JOHN J. SPARKMAN,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 7T-53, concerning the Department of the Army's proposed Letter of Offer to the Philippines for Howitzers estimated to cost \$13.2 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

H. M. FISH,

Lieutenant General, USAF, Director, De-
fense Security Assistance Agency and
Deputy Assistant Secretary (ISA),
Security Assistance.

Attachment.

[Transmittal No. 7T-53]

NOTICE OF PROPOSED ISSUANCE OF LETTER OF
OFFER PURSUANT TO SECTION 36(B) OF THE
ARMS EXPORT CONTROL ACT

- a. Prospective Purchaser: Philippines.
- b. Total Estimated Value: \$13.2 million.
- c. Description of Articles or Services Offered: Ninety-seven (97) 105mm Howitzers (M101A1) and repair parts.
- d. Military Department: Army.
- e. Date Report Delivered to Congress: September 13, 1976.

SENATE COMMITTEE JURISDICTION

Mr. CURTIS. Mr. President, the Senate select committee to study our committee system is at the point of considering overhaul of jurisdictional lines.

Three "starting points" have been developed by the staff of the select committee.

Starting point I would essentially retain the existing committee structure with some reapportionment of jurisdiction to equalize the workload among the committees.

Starting point II eliminates all joint, special, and select committees and reduces the number of standing committees to 12.

Starting point III is similar to starting point II except that the number of standing committees is reduced to five.

I believe the staff of the select committee has done a commendable job in preparing the "starting points."

Our colleagues have experienced considerable frustration under the existing committee system. Senators find they have to choose among several committees meeting at the same time. Moreover, sometimes there are conflicts between committee meetings and floor action further compounding the apparent chaos.

Today, the distinguished Senator from Utah (Mr. Moss) and the distinguished Senator from Arizona (Mr. GOLDWATER) have offered a starting point IV. It differs in some particulars from the three developed by the committee staff.

This proposal recommends that there be established 15 standing committees organized into three categories—A, B, and C—with 100 committee assignments each for a total of 300. Each Senator would have three committee assignments, one in each category. At the beginning of each Congress, the Senate can decide how many members each of the 5 committees in a category will have, but the total in each category should equal 100.

Similarly, the number of subcommittees would be held to a maximum of 100, allocated on the basis of 25, 30, and 45 subcommittees to each of the categories A, B, and C, respectively. Again, the subcommittees need not be allocated equally among the committees in any particular category, but the total number of subcommittees should not exceed the maximum number permitted for that category in order to make this suggestion workable.

I submit this proposal can accomplish much of what the select committee has set out to do. It tends to equalize the workload among the committees and reduce the number of committees and subcommittee meetings. Moreover, a rational schedule for committee meetings is inherent in this type of organization. For example, A committees could meet on Tuesdays, B committees on Wednesdays, and C committees on Thursdays. Mondays and Fridays would be open for any committee meetings, as required.

Under this proposal, Senators would acquire something approaching equality in committee assignments—equality that has been difficult to achieve under the existing system.

I ask unanimous consent that the proposal submitted by Senator Moss and Senator GOLDWATER be printed in the RECORD.

There being no objection, the proposal was ordered to be printed in the RECORD, as follows:

SENATE COMMITTEE ORGANIZATION: A PROPOSAL
(Offered by Senator FRANK E. MOSS and
Senator BARRY GOLDWATER, September 13,
1976)

INTRODUCTION

Without question the staff of the Select Committee on Committees has done an excellent job in preparing three "Starting Points" for Senate committee jurisdiction. We believe another choice is desirable as a basis for thought and discussion. In this spirit, we offer "Starting Point" IV which can be viewed as a compromise between "Starting Points" I and II. "Starting Point" III, which provides for only five standing committees, we are inclined to view as too drastic in that the subcommittees would ultimately control legislation. Because of the breadth of the subject matter, full committee consideration of legislation under "Starting Point" III would closely resemble floor action on a bill or resolution.

Our proposal recommends that there be established 15 standing committees organized into three categories ("A", "B" and "C") with 100 committee assignments each for a total of 300. Each Senator would have three committee assignments, one in each category. At the beginning of each Congress, the Senate can decide how many members each of the five committees in a category will have, but the total in each category should equal 100.

Similarly, the number of subcommittees

would be held to a maximum of 100, allocated on the basis of 25, 30, and 45 subcommittees to each of the categories "A", "B" and "C", respectively. Again, the subcommittees need not be allocated equally among the committees in any particular category, but the total number of subcommittees should not exceed the maximum number permitted for that category in order to make this suggestion workable.

We believe this proposal can accomplish much of what the Select Committee has set out to do. It tends to equalize the workload among the committees and reduce the number of committee and subcommittee meetings. Moreover, a rational schedule for committee meetings is inherent in this type of organization. For example, "A" committees could meet on Tuesdays, "B" committees on Wednesdays, and "C" committees on Thursdays. Mondays and Fridays would be open for any committee meeting, as required.

Under this proposal, Senators would acquire something approaching equality in committee assignments—equality that has been difficult to achieve under the existing system.

As is true with "Starting Point" II, our proposal would inevitably require more involvement of the leadership in preventing conflicts between committee action and floor action. The leadership might want to establish a rule whereby the Senate would convene at 1:00 p.m. from the opening of a session of Congress until March 31st. From April 1 to June 30th, the Senate would meet at noon. Thereafter, the work of the committees would be presumed to be largely accomplished and the Senate could meet earlier in the day.

While "Starting Point" IV does not specifically address the question of rotating committee assignments, it is easily adaptable to rotation, if that is the desire of the Senate. Under "Starting Point" IV Senators could be rotated within the three classes of committees.

From a purely arithmetical standpoint, 15 standing committees divided into three classes simplifies the making of committee assignments because 5 divides easily into 100, although the actual number assigned to any committee could be varied as long as the total number of assignments within any category did not exceed 100.

We invite any comments, modifications, or revisions.

FRANK E. MOSS
BARRY GOLDWATER.

SENATE COMMITTEE ORGANIZATION: A PROPOSAL

Under this proposal, 15 standing committees would be created and organized into three categories: "A", "B", and "C". Each category would have 100 committee assignments for a total of 300. Within a category, the number of Senators assigned to each committee could be varied. Senators would have three committee assignments, one in each category. The proposed committees, alphabetically arranged, are:

Committee and category

1. Agriculture and Rural Development—A.
2. Appropriations—C.
3. Armed Services and Veterans—C.
4. Banking, Housing and Small Business—B.
5. Budget—A.
6. Commerce, Transportation and Communications—C.
7. Finance—C.
8. Foreign Relations—C.
9. Governmental Affairs—A.
10. Intelligence—A.
11. Interior and Environment—B.
12. Labor and Human Resources—B.
13. Judiciary—B.
14. Rules, Standards and Ethics—A.
15. Science and Technology—B.

Committees by category

- "A." Agriculture and Rural Development.
- "B." Banking, Housing and Small Business.
- "C." Appropriations.
- "A." Budget.
- "B." Interior and Environment.
- "C." Armed Services and Veterans.
- "A." Governmental Affairs.
- "B." Labor and Human Resources.
- "C." Commerce, Transportation and Communications.
- "A." Intelligence.
- "B." Judiciary.
- "C." Finance.
- "A." Rules, Standards and Ethics.
- "B." Science and Technology.
- "C." Foreign Relations.

This proposal assigns legislative jurisdiction according to major functional categories. It minimizes jurisdictional overlap among the committees and equalizes committee workloads. Most importantly, it will bring greater equity to the distribution of committee assignments among Senators. While committees are organized according to functional categories, it is proposed that each committee, except the Appropriations and Budget Committees, be given legislative jurisdiction over specific departments and agencies of the government to reduce the necessity of joint and sequential referrals.

Subcommittees

It is proposed the number of subcommittees be reduced from the 174 to a maximum of 100.

It is proposed that a maximum of 25 subcommittees be permitted in the "A" category, a maximum of 30 subcommittees be permitted in the "B" category, and a maximum of 45 subcommittees be permitted in the "C" category. This would permit an average of 5, 6, and 9 subcommittees for each committee in categories "A", "B", and "C", respectively; however, the actual number permitted each committee in a category can be established by the Senate at the beginning of each Congress. For example, the category "C" committees might be permitted maximum numbers of subcommittees as follows:

Appropriations	11
Armed Services	8
Commerce	11
Finance	8
Foreign Affairs	7
Total	45

It is proposed that a rule limiting the number of subcommittee assignments for each Senator be adopted and that subcommittee chairmanships be limited to a maximum of two for each Senator.

Under this system the number of committees and subcommittees would be greatly reduced and proliferation of committee and subcommittee assignments would be controlled. Also, very few joint or sequential referrals of legislation would be required.

Appropriations and budget process

No changes are necessary in the appropriations or budget processes. Both the Appropriations and Budget Committees would be retained, exercising the same jurisdiction as at present.

Committee legislative and oversight jurisdiction

Committee legislative jurisdiction is the authority of the committee to consider and report legislation to the Senate, which bill or resolution is then placed on the Senate calendar and considered by the Senate at an appropriate time.

Committee oversight jurisdiction (sometimes called review jurisdiction and formally called the investigative function of Congress) is the authority of the committee to review, investigate, study, hold hearings, and

prepare reports on any subject over which the Congress has oversight jurisdiction, but the committee cannot under the authority of its oversight jurisdiction report legislation to the Senate floor.

However, the exercise of a committee's legislative and oversight jurisdictions cannot be treated as separate and distinct functions. When a committee exercises its legislative jurisdiction it exercises oversight at the same time. The authorization process, the appropriation process, the budget process, and the preparation of a piece of legislation to be reported by the committee to the Senate floor all require extensive oversight on the part of the committee. Consequently, the legislative jurisdiction of a committee is embedded in its oversight jurisdiction but the reverse is not necessarily true.

As a result of exercising its oversight jurisdiction, a committee may prepare a piece of legislation and submit it to the Senate, but the Senate will refer that legislation to the committee which has legislative jurisdiction over the matters covered by the bill.

Committees exercise oversight jurisdiction in various ways. It is a natural and inherent part of the legislative process. To conclude that Congress has not been exercising proper oversight is deemed a distinct overstatement. A look at the record shows the Senate has exercised its oversight power. The resignation of a President, the restructuring of our intelligence activities, the exposing of illegal campaign activities, and the exposing of bribery practices of multi-national corporations by the Congress argues against the conclusion that the Congress has not exercised oversight. The argument that had Congress been exercising oversight these practices and activities would not have occurred, is fallacious. Earlier or more Congressional oversight would not have prevented these activities. The Congress does not manage the government and it does not and should not act as a conscience for the individual.

Appropriations and budget process

No changes are necessary in the appropriations or budget processes. Both the Appropriations and Budget Committees would be retained, exercising the same jurisdiction as at present.

Committees retained

There would be no, or only minor, jurisdictional changes in the following committees: Appropriations, Agriculture and Forestry, Budget, Finance, Judiciary, Foreign Relations, Intelligence (Select).

Committees modified

The jurisdictions of these committees have been modified and the names changed to more accurately reflect their new functions:

Present name and new name

- Aeronautical and Space Sciences—Science and Technology.
- Armed Services—Armed Services and Veterans.
- Banking, Housing and Urban Affairs—Banking, Housing and Small Business.
- Commerce—Commerce, Transportation and Communications.
- Government Operations—Governmental Affairs.
- Interior and Insular Affairs—Interior and Environment.
- Labor and Public Welfare—Labor and Human Resources.
- Rules and Administration—Rules, Standards and Ethics.

Committees abolished

Under this proposal the following committees are abolished and their jurisdiction transferred to one of the 15 proposed standing committees: District of Columbia, Post Office and Civil Service, Public Works, Veterans Affairs, Select Committee on Nutrition and Human Needs, Select Committee on Small Business, Select Committee on Stand-

ards and Conduct, Special Committee on Aging, Joint Committee on Atomic Energy, Joint Committee on Congressional Operations, Joint Committee on Defense Production, Joint Economic Committee, Joint Committee on Internal Revenue Taxation, Joint Committee on the Library, and Joint Committee on Printing.

Oversight

It is proposed that all 15 committees be given a major responsibility for oversight over all activities covered by their functional jurisdiction, regardless of whether or not the activities are in a department or agency over which the committee has specific legislative jurisdiction. In other words, a committee's oversight jurisdiction would extend over a larger part of government activities than its legislative jurisdiction.

Broader oversight jurisdiction is necessary, because it is not possible to categorize similar activities distributed throughout the Government into the Committee legislative jurisdictional categories. Nevertheless, when conducting oversight a committee may find it necessary to look at the sum total of government actions in order to understand the interactions of these activities. Moreover, broad oversight jurisdiction tends to limit duplication in government programs and to stimulate cooperative efforts among the Departments and Agencies.

Each standing committee would have discretionary authority to handle its oversight responsibilities. For example, a committee could establish an oversight subcommittee or it could carry on the oversight activities within the subcommittee structure of the committee or by the full committee or by some combination. Under this proposal the Appropriations and Budget Committees would have oversight responsibilities.

Staffing

The professional and clerical staff of the committees would be employed under existing Senate rules and applicable statutes.

The major staff issue is how to merge the staff members of the existing committee structure into the new committee structure. Every effort should be made to accommodate staff who would be disrupted by the jurisdictional changes. Clearly, the staffs of the Appropriations, Budget, and Intelligence Committees are not directly affected.

Leadership

Inevitably, responsibility for keeping this system working smoothly would lie with the leadership. The leadership should be expected to oppose vigorously proposals for changes to the system that would add new committees; that would permit the Senators to serve on more than three committees (except on an ad hoc basis); or an expansion of the number of subcommittees beyond that allowed by the rule.

In addition, the leadership would have to exercise its authority to keep the number of joint and sequential referrals of legislation to a minimum. It is proposed that a procedure be developed which would make joint (either joint or sequential) referrals difficult. The matter of split referrals needs further consideration.

Characteristics of proposed committee system

Reduction of the present 31 standing, select, special and joint committees to 15 standing committees.

The 15 standing committees are organized into three categories of five committees each, with 100 committee assignments in each category.

Size of committees within each category to be decided by the Senate each Congress.

Committee jurisdictions are functionally and agency-based with minimum jurisdictional overlap.

No more than one full committee chairmanship per Senator.

Equalizes workload among committees.
A limit of three committee assignments for each Senator—one in each category.
Equitable distribution of committee assignments among Senators.

A maximum of 100 subcommittees.
A limit on the number of subcommittee assignments for each Senator.
A limit of two subcommittee chairmanships for each Senator.

Fewer meeting conflicts because of fewer committees and subcommittees.
Fewer joint and sequential referrals required because jurisdictional overlap is reduced.

The recommended functional legislative jurisdiction for each of the 15 committees is given on the following pages.

This part of the proposal requires further refinement and definition.

The functional legislative jurisdictions given here are taken from the staff report and therefore from the existing rules. Often this write-up does not state in a precise and concise way the legislative jurisdiction of the committee. An example is the Committee on Labor and Human Resources. The jurisdiction presented as transferred from the present Committee on Labor and Public Welfare deals almost entirely with labor; yet, the Committee's responsibilities to human resources other than labor are at least as great. These legislative functional jurisdictions must be sharply defined and reflect accurately the activities intended to be covered.

The departments and agencies of the Government over which a Committee will have legislative jurisdiction must be assigned to that committee.

For each of the committees, a statement defining the committee's oversight jurisdiction must be prepared.

Finally, the jurisdiction of each committee must be codified.

Agriculture and Rural Development (successor to Agriculture and Forestry)

Functional Jurisdiction—
From Agriculture and Forestry:
Agriculture generally.
Rural development generally.
Inspection of livestock, meat and agricultural products.
Animal industry and diseases.
Pests and pesticides.
Agricultural colleges and experiment stations.
Forestry.
Agricultural economics and research.
Human nutrition and home economics.
Plant industry, soils and agricultural engineering.
Farm credit and farm security.
Rural electrification.
Agricultural production, marketing and stabilization of prices.
Crop insurance and soil conservation.

Appropriations (successor to Appropriations)
Functional Jurisdiction—
The jurisdiction of the present Appropriations Committee is transferred intact.
Appropriation of the revenues.
Recessions of Appropriations.
New spending authority.
New advance spending authority.

Armed Services and Veterans (successor to Armed Services)
Functional Jurisdiction—
From Armed Services:
Common defense generally.
Department of Defense, Army, Navy and Air Force generally.
Soldiers' and sailors' homes.
Benefits of members of the armed services.
Selective service system.
Size and composition of the armed forces.
Forts, arsenals, military reservations, Navy yards, and depots.
Maintenance and operation of the Panama Canal and Canal Zone.

Naval petroleum and oil shale reserves.
Strategic and critical materials.
Military aerospace matters.
From Joint Atomic Energy: National security aspects of nuclear energy.
From Veterans Affairs: Veterans' measures, generally.
Banking, Housing and Small Business (successor to Banking, Housing and Urban Affairs)
Functional Jurisdiction—
From Banking, Housing and Urban Affairs:
Banking and currency generally.
Financial aid to commerce and industry.
Deposit insurance.
Housing and community development.
Federal Reserve System and monetary policy.
Gold and silver.
Issuance and redemption of notes.
Valuation of the dollar.
Control of prices of commodities, rents or services.
Urban affairs generally.
From Foreign Relations: International financial and monetary organizations.
From Small Business: All proposed legislation primarily related to the Small Business Administration.

Budget (successor to Budget)
Functional Jurisdiction—
The jurisdiction of the present Budget Committee is transferred intact.
Concurrent budget resolutions.
Title III and IV of the Congressional Budget Act of 1974.
Congressional Budget Office.

Commerce, Transportation and Communications (successor to Commerce)
Functional Jurisdiction—
From Commerce:
Commerce generally.
Regulation of interstate common carriers: railroads, buses, trucks, vessels.
Communications.
Civil aeronautics other than aerospace activities.
Merchant Marine and navigation.
Coast Guard.
Panama Canal, other than maintenance and operation; interoceanic canals generally.
Inland waterways.
From Public Works:
Flood control and improvements of rivers and harbors.
Public works, bridges and dams.
Measures relative to the construction and maintenance of roads.
From Banking: Urban mass transit.
Finance (successor to Finance)
Functional Jurisdiction—
The Finance Committee's jurisdiction would be transferred intact.
Revenue (taxation) measures generally.
Bonded debt of the United States.
Deposit of public monies.
Custom.
Reciprocal trade, tariffs and quotas.
Transportation of dutiable goods.
Revenue measures regarding insular possessions of the United States.
Revenue aspects of tariffs and import quotas.
Revenue aspects of social security.

Foreign Relations (successor to Foreign Relations)
Functional Jurisdiction—
From Foreign Relations:
Foreign relations generally.
Treaties and executive agreements, except trade.
Boundaries of the United States.
Protection of U.S. citizens and businesses abroad.
Neutrality.
International conferences.
American Red Cross.
Intervention abroad and declarations of war.

Diplomatic service.
United Nations.
Foreign assistance, generally.
Acquisition of land and buildings for Embassies.
Measures to foster foreign trade.
Governmental Affairs (successor to Government Operations)
Functional Jurisdiction—
From the District of Columbia: All measures relating to the municipal affairs of the District of Columbia.
From Government Operations:
Except as provided in the Budget and Accounting Act of 1974, budget and accounting measures other than appropriations.
Study of governmental activities at all levels.
Reports of the Comptroller General.
Intergovernmental relations.
From Post Office and Civil Service:
Federal Civil Service, generally.
Status of officers and employees of the United States.
Postal service, generally.
Census and collection of statistics, generally.
National Archives.
From Public Works:
Public buildings and grounds.
Measures concerning purchase of sites and construction of post offices, Federal courthouses, and government buildings within the District of Columbia.
Measures relating to the parks within the District of Columbia.
Measures concerning construction, maintenance, and care of the Smithsonian Institution.

Intelligence (successor to Select Committee on Intelligence)
Functional Jurisdiction—
The jurisdiction of the present Select Committee on Intelligence is transferred intact.
Studies underway and continuing studies of intelligence activities and programs.
Central Intelligence Agency.
Director of Central Intelligence.
National Security Agency.
Defense Intelligence Agency.
Intelligence activities of all departments and agencies of the government, generally.

Interior and Environment (successor to Interior and Insular Affairs)
Functional Jurisdiction—
From Interior:
Public lands generally.
Forest reserves and national parks.
Irrigation and reclamation.
Mining schools and stations.
Petroleum and radium conservation.
Mining and mineral lands and claims generally.
Geological Survey.
From Public Works:
Water power.
Environment generally.
From Joint Atomic Energy: Nuclear Regulatory Commission.
From Commerce:
Fisheries and wildlife.
Coastal zone management.
Oil and gas production and distribution.
Labor and Human Resources (successor to Labor and Public Welfare)
Functional Jurisdiction—
From Agriculture and Forestry:
School breakfast program.
School lunch program.
Food Stamp program.
From Interior: Indian affairs generally.
From Labor and Public Welfare:
Education, labor and public welfare generally.
Mediation and arbitration of labor disputes.
Wages and hours of labor.
Convict labor.
Child labor.

CKXII—1910—Part 23

Foreign labor.
Labor statistics.
Labor standards.
School lunch program.
Vocational rehabilitation.
Railway labor and retirement.
Public health and quarantine.
Welfare of miners.

Judiciary (successor to Judiciary)

Functional Jurisdiction.—
The jurisdiction of the present Judiciary Committee is transferred intact.
Judicial proceedings generally.
Constitutional amendments.
Federal courts and judges.
Local courts in territories and possessions.
Revision and codification of U.S. statutes.
National penitentiaries.
Measures concerning restraint of trade and monopolies.
Holidays and celebrations.
Bankruptcy, mutiny, espionage and counterfeiting.
State and territorial boundaries.
Meetings of Congress; attendance of Members; incompatible offices.
Civil liberties.
Patents, copyrights and trademarks.
Immigration and naturalization.
Apportionment of Representatives.
Claims against the United States.
Interstate compacts generally.

Rules, Standards, and Ethics (successor to Rules and Administration)

Functional Jurisdiction.—
From Rules and Administration:
Payments of money out of the contingent fund of the Senate.
Management of the Library of Congress and the Senate Library; art for the Capitol; and Botanic Gardens; monuments to individuals.
Smithsonian Institution management.
Federal Elections generally.
Presidential succession.
Credentials and qualifications of Members of Congress.
Senate rules and procedures.
Administration of the Senate generally.
Congressional Record.
From Standards and Conduct:
Recommendations of rules to insure proper conduct by Members, officers or employees of the Senate.
Receipt of complaints of improper conduct by Members, officers or employees.
Investigation of alleged violation of law or Senate rules by Members, officers or employees.
Recommendations of disciplinary action for violations by Members, officers or employees.
Consultative authority over the use of Senators of confidential documents.
Guidance, assistance and advice concerning franked mail.
Investigation of unauthorized disclosure of intelligence information, and recommending appropriate penalties for such disclosure when allegations are substantiated.
From Public Works—
Measures relating to the Capitol Building and the Senate and House Office Buildings.
Measures concerning construction, maintenance, and care of Botanic Gardens and the Library of Congress.

Science and Technology (successor to Aeronautical and Space Sciences)

Functional Jurisdiction.—
From Aeronautical and Space Sciences:
Aeronautical and space activities.
From Commerce:
National Oceanic and Atmospheric Administration.
National Bureau of Standards.
From Interior: Non-nuclear energy research and development.
From Joint Atomic Energy:
Development, use and control of atomic energy.

Energy Research and Development Administration.

From Labor and Public Welfare: National Science Foundation.

Other:
Office of Science and Technology Policy.
Federal Coordinating Council for Science, Engineering and Technology.

Mr. President, the Senator from Utah and the Senator from Arizona by no means claim that their proposal is chiseled in stone. On the contrary, they welcome refinements, suggestions, and modifications.

I submit their proposal deserves serious consideration by the select committee and the Senate because it is simplicity that takes into account the inner workings of the Senate.

I compliment Senator Moss and Senator GOLDWATER on their proposal, and I intend to support it as a rational "Starting Point."

AGRICULTURAL GRAIN RESERVES

Mr. BAYH. Mr. President, since 1972 American farmers have been subjected to considerable grain price variability. Fluctuation in feed grain prices has led to a great deal of variation in the price of hogs and beef cattle as well.

Mr. B. F. Jones of the Department of Agricultural Economics, Purdue University, recently authored a comprehensive publication on grain reserves—Station Bulletin No. 124, May 1976, Agricultural Experiment Station, Purdue University—in which he presented statistics on price variability. By comparing the price differences between low- and high-priced months he was able to estimate the variability within a given year. For the years 1968-71 the average percent change from the low- to high-price month was 27 percent for corn, 18 percent for soybeans, and 13 percent for wheat. Prices during the years 1972-74 were much more variable: the average percent change from low- to high-price month was 70 percent for corn, 111 percent for soybeans, and 90 percent for wheat. Hog and beef cattle price variation was also reported to be greater during the 1972-74 time period than during the 1968-71 time frame.

It has been suggested that grain price fluctuation could be reduced by the adoption of a grain reserve program. Several questions arise about the structure of such program. In Bulletin No. 124, Professor Jones identifies three questions which concern: First, the size of the reserve and its composition; second, the set of rules to be used in acquiring and releasing stocks; and three, who would own the stocks. Professor Jones discusses these questions in a general fashion in Station Bulletin 124 and goes on to analyze a specific grain reserve program in Station Bulletin 137—August 1976.

I would like to share these excellent publications with my colleagues. Therefore, I ask unanimous consent that Station Bulletins 124 and 137, published by the Department of Agricultural Economics, Purdue University, be printed in the RECORD.

There being no objection, the bulletins were ordered to be printed in the RECORD, as follows:

GRAIN RESERVES IN AGRICULTURAL AND FOOD POLICY—STATION BULLETIN No. 124

(By B. F. Jones)

INTRODUCTION

Since 1972, prices received by farmers for corn, soybeans, and wheat have been highly variable. One measure of the variability is the percentage change in the monthly average price measured from the low price month to the high price month within a given year. Table 1 shows the average annual change for selected prices for the 1968-71 period compared to the 1972-74 period. Monthly prices for corn varied an average of 27 percent within the year for the first period. From 1972-74, the average variation was 70 percent. Monthly prices for soybeans and wheat show larger variations than corn for 1972-74. Daily price variation for all three commodities within a year was even greater.

The increased variability of prices for corn, other grains, and protein meal has contributed to sharply fluctuating prices for hogs and beef cattle. Monthly average prices for hogs varied within a year by 55 percent for the 1972-75 period compared to 42 percent for 1968-71. Monthly average cattle prices varied by 31 percent in the second period compared to 17 percent during 1968-71.

Consumer food prices increased 50 percent from January 1972 to December 1975. Higher farm commodity prices contributed to this increase. Food prices, while rising over time, have fluctuated less than commodity prices. Processing and distribution margins, which make up about 60 percent of total food costs, are less subject to the type of variation exhibited by commodity prices. Food prices are more subject to continually increasing cost pressures. In addition, upward price pressure in the agricultural and food sector contributed to inflationary wage and price increases in other parts of the economy due to structural characteristics such as automatic escalator clauses which are built into various types of contracts.

World grain stocks have been reduced significantly since 1969 as a result of poor crops in certain areas of the world and sharply expanded world trade in grain (Table 2). World stocks of wheat and coarse grains declined from 188 million metric tons available at the beginning of the 1969-70 year to about 100 million metric tons in 1975-76. Likewise, U.S. stocks of wheat and coarse grains declined from 68 million metric tons in 1969-70 to 23 million metric tons in 1975-76. At the beginning of the period, the U.S. held about 65 percent of the world's stocks of grain. By 1975, this had dropped to about 25 percent.

TABLE 1.—PERCENTAGE CHANGE IN MONTHLY AVERAGE PRICES RECEIVED BY FARMERS FOR CORN, SOYBEANS, WHEAT, HOGS, AND BEEF CATTLE, 1968-74

Item	Price change, low to high month	
	1968-71 average percent	1972-74 ¹ average percent
Corn, per bushel: Year beginning, Oct. 1.	27	70
Soybeans, per bushel: Year beginning, Sept. 1.	18	111
Wheat, per bushel: Year beginning, July 1.	13	90
Hogs, hundredweight ² .	42	55
Beef cattle, hundredweight ³ .	17	31

¹ For grains, 1972-74 are included. For livestock, average is for 1972-75.

² Barrows and gilts, 7 markets.

³ Choice steers, Omaha.

Note: Change is measured from low-price month to high-price month within a given year, then averaged over the year included.

TABLE 2.—STOCKS OF GRAIN ON HAND AT THE BEGINNING OF THE YEAR, 1960-61 TO 1976-77¹

	Million metric tons		United States		Percent of total stocks held by the United States
	World total grain	Total grain	Wheat	Coarse grains	
1960-61	164.0				
1961-62	176.7	115.4	38.4	77.0	65.3
1962-63	150.0	101.5	36.0	65.5	67.7
1963-64	153.2	91.0	32.5	58.5	59.4
1964-65	148.0	87.4	24.5	62.9	59.1
1965-66	151.3	71.9	22.2	49.7	47.5
1966-67	115.6	52.8	14.6	38.2	45.7
1967-68	144.6	45.3	11.6	33.7	31.3
1968-69	159.4	58.7	14.7	44.0	36.8
1969-70	188.1	67.8	22.2	45.6	36.0
1970-71	168.2	68.1	24.1	44.0	40.5
1971-72	130.5	50.7	19.9	30.8	38.9
1972-73	147.7	68.6	23.5	45.1	46.4
1973-74	108.1	42.0	11.9	30.1	38.9
1974-75	110.6	27.0	6.7	20.3	24.4
1975-76	101.9	23.2	8.7	14.5	22.8
1976-77 ²	99.4	32.2	10.8	21.4	32.4

¹ Total grains include wheat, rye, barley, oats, corn, and sorghum. Coarse grains include all grains listed except wheat.
² Estimated.

Source: U.S. Department of Agriculture, FAS, "World Grain Situation," FGS-75, July 15, 1975 and FGS-75, Dec. 22, 1975

Smaller grain stocks available since 1972 have been a major factor contributing to grain and livestock price fluctuations. With smaller stocks relatively small changes in world grain production or changes in consumption patterns have caused large changes in grain prices over a short period of time. World grain production only 2 to 4 percent below trend has created great concern over food supplies and has contributed to sharply higher grain prices. The higher prices have (1) brought windfall gains to grain producers during some years, (2) resulted in severe capital losses to certain livestock producers and feeders, (3) depressed the income of dairy farmers who depend upon purchased grain, and (4) generated various forms of *ad hoc* governmental intervention into grain markets each year since 1972.

The higher average level of grain prices has increased the income of grain producers. The greater variability of prices associated with the higher level has increased the incomes of livestock and grain producers who are good at speculation on prices. But, the variability makes it more difficult for producers to plan their production to efficiently use resources. Furthermore, the threat of bankruptcy is increased for some producers.

THE PROBLEM

Various proposals have been made for decreasing price variability and uncertainty emanating from the grain sector. Since production cannot be maintained with certainty because of yield variability, the alternative frequently proposed is a grain reserve. Such a reserve or stock would provide grain for smoothing out the annual variations in production and consumption. Most proposals assume publicly held stocks.

Proponents of publicly held grain stocks base their arguments on the inherently unstable characteristics of grain production. They also believe that policy for agriculture should be consistent with policy for other sectors of the economy. The non-farm sector relies on unemployment insurance and various kinds of built-in stabilizers to reduce the effects of industrial unemployment. Likewise, general monetary and fiscal policies are designed and administered to reduce the harmful effects of business cycles.

Main grain producers oppose a publicly held grain stock under present circumstances. They associate government owned stocks with the much lower prices and income of the 1950's and 1960's. They fear government manipulation of stocks to the benefit of consumers at a cost to producers.

The purpose of this bulletin is to present an analysis of stocks policy alternatives. The

bulletin includes (1) analysis of the sources of price variability, (2) grain reserves and stabilization objectives, (3) possible alternative stock policies, (4) a discussion of U.S. experience with stocks, (5) a specific proposal for a U.S. held reserve, and (6) a final section on alternatives other than stocks for reducing instability in the system. Proposals are evaluated given the current state of knowledge. Additional research will be required to more fully evaluate consequences. However, embarking on a stocks policy may occur before the research job is completed.

SOURCES OF VARIABILITY

In the past 3 years, the United States has exported about two-thirds of its wheat production, about half of the soybean crop (when oil and meal are included), and about one-fourth of its corn crop. In 1975, agricultural exports exceeded agricultural imports by about \$12 billion, thereby contributing significantly to the balance of trade. Even though U.S. grain production is subject to year-to-year variation, exports of this magnitude permit the U.S. a policy alternative few other countries have. The U.S. could stabilize domestic supplies and prices by controlling exports.

Stabilization of U.S. prices through export control has costs and benefits which are difficult to measure. Preliminary work by Shel indicates short-run effects can be measured.¹ But, long-run effects are less certain. Given the productive capacity and efficiency of U.S. grain production, it is important to have access to growing foreign markets. Export earnings are required to pay for imports of oil, minerals, and many other products. Experience indicates that resort to export controls stimulates self-sufficiency programs in other countries. They also encourage importers to diversify their sources of supply. Consequences of these kinds of actions are difficult to precisely ascertain because of their long-run nature. Although a large foreign market is desirable, it is the principal source of price variability in U.S. grain markets.

In the short run, demand for U.S. exports of grain is determined by crop production in other countries, cost of imported grain relative to home produced grain (production costs and exchange rates), and internal price and trade policies followed by the importing countries. Over the long run, population and income growth rates are important. Of all these factors, changes in world grain production and trade policies of other countries account for most of the variation in demand for U.S. grain. In addition to being the major sources of variation, these two are also more difficult to predict than other sources of variation.

Any stocks policy designed to lessen the effects of these variations would need to take into account the year-to-year change in world grain production. One guide to future variation is to consider historical changes in grain production. These changes can be measured in terms of deviations from trend in yields, acreages and/or total production. For purposes of calculating reserve stock alternatives, change in total production is selected as the indicator.

Use of deviations from production trend, however, is subject to several limitations which should be recognized. Acreage variation may be a result of government policy to restrict production. The amount of deviation is a function of the particular trend line which depends upon the years included. As a consequence, alternative periods which might be selected would show smaller or larger deviations from trend production. In this paper, the period selected for calculating the trend was 1960-73, a recent period which

includes enough years to provide some indication.

In order to determine the amount of reserves needed to meet various conditions and objectives, a rather detailed discussion of shortfalls in production is presented. Deviations from production trend are presented for world wheat, rice, and coarse grain production (Table 3). World rice production is included because of its significance in Asian diets. When rice crops are short, wheat may be imported as a substitute in the diet, thereby affecting the price of wheat in the U.S.

TABLE 3.—TOTAL WORLD WHEAT, RICE AND COARSE GRAIN PRODUCTION: DEVIATIONS FROM TREND, 1960-73

	[In million metric tons]			
	Wheat	Rice	Total wheat, rice grains ¹	Total all grains
1960	11.6	1.4	13.0	31.9
1961	-12.2	2.4	-9.8	-11.5
1962	8.3	-3.8	4.5	4.5
1963	-20.4	2.1	-18.3	-23.5
1964	6.6	7.6	14.2	-6.5
1965	-13.5	-7.4	-20.9	-2.9
1966	18.0	-15.3	2.7	-1.0
1967	-2.1	6.4	4.3	9.5
1968	20.9	6.6	27.5	22.4
1969	-7.2	-1.4	-8.6	-5.6
1970	-13.6	3.8	9.8	-5.6
1971	8.9	3.8	12.7	38.6
1972	-9.9	-13.0	-22.9	-7.4
1973	4.5	6.9	11.4	22.8
Maximum (-)	-20.4	-15.3	-22.9	-30.3
Maximum cumulative (-) ²	-20.8	-22.7	-22.9	-47.6

¹ Coarse grains include rye, barley, oats, corn, and sorghum.

² This is the maximum cumulative amount by which production dropped below trend. For example, wheat production in 1965 and 1970 was below trend cumulating a negative deviation of 20,800,000 tons. In some cases for other grains, the shortfall in 1 year may be the maximum cumulative amount.

Source: Steele, W. Scott, "The Grain Reserve Issue," FDCC Working Paper, ERS, USDA, July 1974.

A similar table including wheat and coarse grains is presented for U.S. production (Table 4).

World production

The largest shortfall in world wheat production of 20.4 million metric tons occurred in 1963.¹ Two or more consecutive years of below trend production might require larger stocks than a large shortfall in one year. Therefore, cumulative shortfalls or deviations are also presented. The largest cumulative shortfall for wheat was 20.8 million tons.

The largest shortfall in world rice production was 15.3 million tons. The reduction was concentrated in India. The largest cumulative shortfall was 22.7 million tons.

Coarse grain production, of which corn is the major part, had a maximum shortfall of 20.7 million tons in 1964. Most of this occurred in the U.S. and was a result of U.S. policy to reduce grain production.

For wheat and rice combined, the largest shortfall was 22.9 million metric tons. The largest cumulative shortfall was the same amount. It is interesting to note that the largest shortfall for wheat and rice combined was less than the maximum for wheat plus the maximum for rice. This occurred because shortfalls for each crop are not necessarily associated. A large world wheat crop may occur in the same year as a small rice crop or *vice versa*. This possibility has implications for the size of stock necessary to even out total world deviations from trend.

U.S. production

The largest shortfall in U.S. wheat production was 4.5 million metric tons. This oc-

¹ For purposes of this paper, trend production is considered to be the norm. Any drop below this level of production is considered to be a shortfall. A cumulative shortfall may involve one or more years in which production continues below trend.

¹ Shel, Shun-Yi, "The International Trade and Domestic Welfare Impacts of U.S. Wheat Export Controls", Unpub. M.S. Thesis, Purdue University, 1976.

curred in 1970 (Table 4). The largest cumulative shortfall was 10.1 million tons. A part of this reduction was a result of U.S. policy to restrict domestic wheat production because of large stocks on hand at the beginning of the period.

The largest shortfall for U.S. coarse grain production was 22.3 million tons occurring in 1970. Southern corn leaf blight was a major cause. The largest cumulative shortfall was 28.7 million tons.

When wheat and coarse grains are combined, the maximum shortfall was 26.8 million tons. The largest cumulative shortfall was 31.1 million tons.

World grain imports

Positive deviations from the trend in world grain imports are an indicator of the extent to which importing countries increase their imports in response to production shortfalls. World grain imports increased above trend less than production declined for several reasons. A production shortfall in a major grain exporting country would not increase grain imports rather it would reduce export supply and possibly result in decreased grain imports in total. Importing countries can and do cut back on consumption when crops are short or prices are high due to short crops in exporting countries. Of course, this alternative is less feasible in countries where per capita consumption levels may be near minimum acceptable levels.

TABLE 4.—TOTAL U.S. WHEAT AND COARSE GRAIN PRODUCTION: DEVIATIONS FROM TREND, 1960-73

[In millions of metric tons]

	Wheat	Coarse grains	Total grains
1960	5.3	18.4	23.7
1961	1.0	-5	.5
1962	-3.8	-2.9	-6.7
1963	-3.3	3.3	0
1964	-5	-18.9	-19.4
1965	-6	-1.8	-2.4
1966	-1.9	-5.5	-7.4
1967	2.7	8.0	10.7
1968	3.1	4.2	-1.1
1969	-1.0	-2.2	-3.2
1970	-4.5	-22.3	-26.8
1971	1.8	16.8	18.6
1972	-1.1	4.6	3.5
1973	2.8	7.2	10.0
Maximum (minus)	-4.5	-22.3	-26.8
Maximum cumulative (minus)	-10.1	-28.7	-31.1

Source: Steele, W. Scott, *The Grain Reserve Issue*, FDCC Working Paper, ERS, USDA, July 1974.

The largest deviation above trend in world imports of wheat from 1960 through 1973 was 10.0 million metric tons (Table 5). This occurred in 1972. The largest cumulative deviation was 19.0 million tons which occurred from 1963 through 1966.

The largest deviation above trend in world imports of coarse grains was 5.1 million metric tons which occurred in 1973. The maximum cumulative deviation in imports for the period was 9.5 million tons and occurred in 1972 and 1973.

This discussion on shortfalls from trend production permits a preliminary conclusion on the amount of reserve stocks needed on a world-wide basis. If all grains are grouped together—wheat, rice, and coarse grains—and the objective is to provide enough grain to fully make up for the shortfalls in total grain production, a stock of about 30 million metric tons of grain would have been needed over the 1960-73 period. This quantity would have covered the largest cumulative shortfall during the period. An inventory of this size is equal to about 21 percent of the amount of wheat, coarse grains and rice that entered world trade channels in 1974-75.

On the other hand, if the objective were only to smooth out the increases in world grain imports, i.e., have enough grain in stock to provide for import increases which are above trend, the required stock would be

smaller. A stock of about 24 million metric tons would be required assuming wheat, coarse grains, and rice as an aggregate.¹ A stock of this size is equal to about 16 percent of total grains which entered world trade channels in 1974-75.

The amount of grain stocks which would be required to offset the annual shortfalls in production and/or deviations in imports under alternative assumptions is presented in the section on "A U.S. Held Reserve".

GRAIN RESERVES AND STABILIZATION OBJECTIVES

The principal rationale underlying the current interest in publicly held grain reserves rests on the goal of greater economic stability. Supporters of reserves are usually explicitly or implicitly willing to endure greater government involvement in agricultural markets in return for enhanced stability.

Precipitous changes in grain prices lead to large shifts in relative welfare between domestic producers and consumers. These lead to great dissatisfaction which could be avoided if prices shifted more gradually in response to underlying economic trends. Changes in grain prices of the magnitude experienced over the past three years contributed to large changes in the production of livestock products with subsequent large changes in their prices. This has been of concern to consumers as well as some producers. There is also concern for the impact of large price variation on foreign consumers, especially those in low income countries.

TABLE 5.—WORLD WHEAT AND COARSE GRAIN IMPORTS: DEVIATIONS FROM TREND, 1960-73

[In million metric tons]

	Wheat	Coarse grains	Total grains
1960	-2.5	-1.4	-3.9
1961	-9	3.1	2.2
1962	-3.5	1.4	-2.1
1963	7.8	1.3	9.1
1964	.6	0	.6
1965	8.0	2.4	10.4
1966	2.6	0	2.6
1967	-2.8	-2.1	-4.9
1968	-7.5	-5.5	-13.0
1969	-3.3	-4.9	-8.2
1970	-4.7	-3.5	-8.2
1971	-6.0	-3	-6.3
1972	10.0	4.4	14.4
1973	2.2	5.1	7.3
Maximum (plus)	10.0	5.1	14.4
Maximum cumulative (plus)	19.0	9.5	22.7

Source: Steele, W. Scott, *The Grain Reserve Issue*, FDCC Working Paper, ERS, USDA, July 1974.

A related, but different concern is the stabilization of U.S. supplies for both commercial and relief export markets. There is a widespread belief that the commercial export market for U.S. grains would be enhanced by assuring dependable supplies for foreign buyers. This would obviously require some means of shifting supplies in years of above average production to years of below average production. Similarly, the historical pattern of foreign food relief has been too subject to the vagaries of supply—relief has been large when U.S. supplies were large, but small when our supplies were tight. In essence, our relief program has been largely a surplus disposal program. A system of reducing variations in supplies is looked to for partial solution of the relief problem.

Finally, there is a desire to stabilize producers' income. This can be a difficult problem to solve, however, through use of a reserves policy alone because incomes are the product of price times volume. Since the two tend to move in opposite directions, the sta-

¹ All but about one million tons of the shortfall in total grain imports is due to changes in imports of wheat and coarse grains. Rice imports fluctuate very little from one year to another even though rice production may fall as much as 15 million tons below trend (1960-73 period).

bilization of one component while the other is free to vary may not enhance income stability. It may even accentuate instability.

These objectives of a stocks policy are stated in a recent report by the Committee for Economic Development, a national committee composed of some 200 leading business executives and educators. The report states:

"We recommend that the federal government assume the principal responsibility for establishing stockpiles of key foodstuff in the United States large enough to ensure an appropriate degree of stability of food prices, to encourage and take advantage of commercial trade opportunities when they arise, and to assume a fair share of the responsibility for meeting the emergency food needs of poor nations."¹

POSSIBLE STOCKS POLICY ALTERNATIVES

Several different reserve policies have been proposed. They differ as to who would own and control the stocks. Also the various proposals have different sets of objectives. The following have been proposed:

1. U.S. participation in an international reserve to be held for stabilization of world grain prices. This would require participation by all major grain importing and exporting countries. They would agree to participate in building up a grain stock large enough to stabilize world grain prices. Stocks would be held by various countries with control over stocks exercised by an international body in which all participants would be represented. Costs would be shared by those who benefited from the stocks.

2. U.S. participation in international reserves for international relief purposes only. Organization, ownership and control of stocks would be similar to the first proposal. The quantity of stocks would be much smaller than those required for price stabilization. Costs would not be related to benefits but would be based on ability to play.

3. A U.S. reserve for international relief only. Under this approach, the U.S. would acquire and hold stocks of a size sufficient to meet its commitments to world food aid. The U.S. would decide its annual aid requirements and would bear the cost of owning stocks. The policy would be operated to meet U.S. humanitarian and foreign policy objectives.

4. A U.S. reserve for stabilization of U.S. prices of grain. The U.S. would acquire and hold stocks of a size sufficient to meet domestic and U.S. export needs. The stocks would be managed to further U.S. interests with cost being borne by the U.S.

5. U.S. privately held stocks only. This would be a policy in which farmers, processors, grain handlers, and exporters hold all stocks without any governmental assistance. Or, it could involve assistance to private firms which would encourage them to hold larger stocks.

6. Some combination of the above. The U.S. is currently engaged in discussion of an international reserve with the apparent objective of providing grain for relief purposes. This discussion is under the auspices of the United Nations Food and Agricultural Organization.

This paper is concerned with a stocks policy for the U.S. which would contribute to stabilization of U.S. prices of grain. (Alternative No. 4) Because of the dominant position of the U.S. in world grain trade, world grain prices would tend to be stabilized. Such a policy would not preclude participation in an international grain reserve. Also, it would contribute to the objective of having grain available for relief purposes.

U.S. EXPERIENCE WITH STOCKS

The U.S. has built up stocks of grains through price support programs six times in the past 45 years. Stock build-up was not a

¹ Committee for Economic Development, *A New U.S. Farm Policy for Changing World Food Needs*, New York, 1974, p. 27.

result of any deliberate policy of acquiring a stock of any particular size. Nor were stocks in themselves acquired to satisfy any particular set of objectives. Instead, stock build-up occurred due to prices being supported above market prices. Once acquired, stocks were used up as market prices rose above support levels. They were also diverted into food aid uses or were shipped to foreign markets under export subsidy.

Stocks turned out to be useful assets 5 of the 6 times although at the time of build-up, costs of carrying them appeared burdensome. In each case, the available stocks kept prices from rising as much as they would have in the absence of stocks as demand increased sharply or short crops were experienced. But, in each case, the amount of grain which had been accumulated was not sufficient to fully satisfy demands and to keep market prices from continuing to rise once stocks were drawn down significantly. One reason for this may have been the narrow range between acquisition and release prices. In most cases, grain was put back into the market after prices had risen only about 15 percent above acquisition price.

Government held stocks were drawn upon during WWII, the Korean War, during 1965-66 when the monsoon failed in Southeast Asia, and when the U.S. corn crop was reduced in 1970 due to widespread corn blight. They were also used up in 1972-73 when world grain production was reduced and several other factors caused demand for U.S. exports to increase sharply. During the late 1950's (the one case when stocks were not an asset) stocks built up as a result of relatively high support prices and continuation of the output increasing technological revolution in U.S. grain production. These accumulated stocks resulted in large storage costs to the government. In this case, stocks were not reduced until commodity programs were changed sufficiently in the early 1960's to decrease the amount of grain going into storage.

The Agricultural and Consumer Protection Act of 1973 is not likely to lead to accumulation of stocks on a scale comparable to the past although authority exists for acquisition of grain by raising loan rates. The average price received by farmers for corn in January 1976 was \$2.44 while loan rates were \$1.10 per bushel. Acquisition by CCC loan takeover would require either a significant increase in loan rates or a sharp drop in corn prices. A similar situation exists for wheat. The average price received by farmers in January was \$3.43 while the loan rate was maintained at \$1.37 per bushel.

The relationship between market prices and loan rates has resulted in a shift of stock ownership away from government to farmers, elevators, processors, and exporters. The quantities of grain they will hold in the future will depend on expected returns to storage, the costs of holding grain, the need for cash for operating expenses and other factors. As stock ownership shifted from government to private firms, larger quantities were being carried in private hands than has been the case historically. Grain price variability and speculative activity which have occurred since 1972 have encouraged private

firms to hold grain. It is uncertain whether they will continue to carry larger stocks of grain in future years.

A U.S. HELD RESERVE

Three main questions arise in developing a grain stocks policy which would meet the objectives stated above. They include (1) the size of the reserve and its composition, (2) the set of rules to be used in acquiring and releasing stocks and (3) who would own the stocks. Numerous secondary questions also arise.

Size and composition of reserves

In determining the appropriate size of reserves, it would be possible to consider all grain in the aggregate without specifying any particular composition of the reserve. Wheat tends to be substituted for rice when its production is short. In extremely tight supply situations, corn and grain sorghum may be substituted for rice. Large quantities of wheat are fed to livestock in the U.S., Western Europe and in the USSR. So, it would be possible to hold the total reserve in whichever form grains were available. This, however, would require more shifting around of grain than has historically been the case. Because of various problems anticipated, a distinction should probably be made between food and feed grains. There is reluctance to substitute among food grains as contrasted to the wider range of alternatives open to users of food grains. This suggests that a stock should consist of wheat, rice, and coarse grains.

Some reserve stock proposals include soybeans as one of the grains. It is not included here for several reasons. Many substitutes exist for both soybean oil and meal. Variability of production of soybeans and their substitutes tends to be less than exists for food and feed grains. Also, the U.S. has not had a control policy for soybeans largely because of the relatively elastic demand for soybean products. Soybean production competes for corn and cotton land which means farmers tend to adjust soybean production fairly rapidly in response to changing market conditions. Thus, it appears the shortages and high prices observed in 1973 for soybean meal were a very rare phenomenon with little relevance for general policy formulation.

If stocks were to be accumulated with the intention of fully meeting every anticipated shortfall in world grain production, large stocks indeed would need to be accumulated. They would be larger than those presented earlier if only limited substitution among grains is anticipated.

The maximum consecutive negative deviations from production trends can be considered as cumulative deficits which would need to be made up from stocks if the program had this objective. If all shortfalls in each particular grain had been made up with similar grain during the 1960-73 period, a stock of 21 million metric tons of wheat, 41 million tons of coarse grain and 23 million tons of rice would have been required¹ (Table 6). If the U.S. were to hold this stock,

¹ An inventory of this size would be equal to about 60 percent of the volume of world grain trade in 1974-75.

rice needs would probably be held in the form of wheat except for perhaps 1 million tons of rice. With this substitution, 42 million tons of wheat would have been required.

Total annual costs for carrying an inventory of this magnitude are estimated to be \$1.41 billion per year (Table 7). This would cover annual storage costs and interest on investment in grain. It would not include costs of administering a storage program nor would it include possible losses from grain going out of condition. It is unlikely that the U.S. or any international organization would be willing to bear the cost. More likely, a lesser degree of protection would be preferable. This would be a policy decision.

If the U.S. were to accumulate and hold stocks sufficient to meet anticipated world deviations from trend with a 95 percent probability that stocks would be adequate, a stock would need to consist of about 29 million metric tons of wheat, 34 million tons of coarse grain and 18 million tons of rice.² This assumes a period like 1960-73 and that the U.S. would be the only holder of stocks to meet world grain shortfalls. For the one year in 20 when stocks would not be adequate, they would, however, make up the major part of the shortfall. Total annual cost of holding a stock of this size would be \$1,510 million (Table 7). If wheat were substituted for rice, the annual cost would be \$1,385 million.

TABLE 6.—ALTERNATIVE RESERVE STOCK LEVELS BASED ON ABSOLUTE DEVIATIONS FROM TRENDS IN WORLD PRODUCTION AND IMPORT DEMAND, 1960-73

	Wheat		Coarse grains		Rice production
	Production	Import demand	Production	Import demand	
In million metric tons					
95-percent level ¹	29.4	12.4	34.2	7.4	18.3
68-percent level.....	13.5	5.7	15.7	3.4	8.4
Maximum shortfall, 1960-73.....	20.4	10.0	20.7	5.1	15.3
Maximum consecutive shortfall.....	20.8	19.0	41.0	9.5	22.7
In million bushels ²					
95-percent level.....	1,080	455	1,346	291	672
68-percent level.....	496	209	618	134	309
Maximum shortfall, 1960-73.....	749	298	815	201	562
Maximum consecutive shortfall.....	764	698	1,613	374	834

¹ See text for explanation of probability levels.

² Actual consecutive deviation from trend is 47,600,000 metric tons. This was adjusted to account for the reduction estimated to be due to Government action to reduce production in 1964.

³ Coarse grains in terms of corn equivalent; i.e., 56 lb per bushel. Rice, in terms of wheat equivalent; i.e., 60 lb per bushel.

Source: Steele, W. Scott, "The Grain Reserve Issue," FDCC Working Paper, ERS, USDA, July 1974.

⁴ Larger stocks of wheat and rice would be required under the 95 percent contingency level than under the maximum consecutive shortfall level. Stock requirements at the 95 percent level are based on a probability distribution calculated from the data for 1960-73. The calculations indicate a larger than actual shortfall could have occurred during the period.

TABLE 7.—ESTIMATED STORAGE COSTS FOR ALTERNATIVE LEVELS OF GRAIN RESERVE STOCKS (OVER AND ABOVE WORKING STOCKS)

Alternative stock to cover	Composition of reserve stock (million metric tons)			Average annual investment (millions)	Total annual cost (millions)
	Wheat	Coarse grains	Rice		
A. Maximum consecutive shortfall.....	21.0	41.0	23.0	\$10,540	\$1,580
B. Maximum consecutive shortfall with wheat for rice.....	42.0	41.0	1.0	9,370	1,410
C. 95 percent contingency level.....	29.0	34.0	18.0	10,040	1,510
D. 95 percent contingency level with wheat for rice.....	46.0	34.0	1.0	9,235	1,385
E. 68 percent contingency level.....	13.5	16.0	8.0	4,625	690

Alternative stock to cover	Composition of reserve stock (million metric tons)			Average annual investment (millions)	Total annual cost (millions)
	Wheat	Coarse grains	Rice		
F. $\frac{1}{2}$ the 95-percent level.....	15.0	17.0	9.0	5,085	760
G. $\frac{1}{2}$ the 95-percent level with wheat for rice.....	23.0	17.0	1.0	4,705	705
H. Maximum import deviation.....	19.0	9.5	1.0	3,495	525
I. $\frac{1}{2}$ the import deviation.....	9.5	4.8	.5	1,755	265
J. None of the shortfalls.....	0	0	0	0	0

Notes: Cost estimates are based on \$2.35 per bushel of corn, \$3.50 for wheat and \$8 per hundred-weight for rice. Annual storage and interests cost were assumed to be 15 percent of acquisition cost. Alternatives A, C, E, and F are included for illustrative purposes only. They are not really viable

alternatives for the United States because of the large amounts of rice included. Alternative reserve stocks are over and above working levels of stocks of about 23,500,000 tons. The amount which might be held as stocks under alternative J which assumes no publicly held stocks is not known.

If stocks were accumulated with a 68% probability of covering world deviations in production, the required stock level would drop to less than half that required at the 95 percent level (Table 6). Stocks required would amount to 13.5 million tons of wheat, 15.7 million tons of coarse grains, and 8.4 million tons of rice. Annual storage cost is estimated to be \$690 million.

During the period 1972-73 to 1975-76, the U.S. provided about 45 percent of all wheat entering the export market. It shipped about 49 percent of all feed grains exported during the period. Based on the dominant position of the U.S. in world grain trade and the desire to maintain a share of the market, a reasonable approach might be for the U.S. to hold one-half of stocks required to satisfy any shortfall 95 percent of the time, assuming a period like 1960-73.

Stocks needed to meet one-half the deviation from trend assuming the 95% contingency level would consist of 15 million metric tons of wheat, 17 million tons of coarse grain and 9 million tons of rice. As indicated above, most of the reserves for rice would need to be held as wheat. Under this alternative, the U.S. might hold 23 million tons of wheat, 17 million tons of coarse grain, and 1 million tons of rice. Total grain reserves would amount to 41 million tons. Annual storage cost is estimated to be \$705 million. (Although some would consider it a "reasonable" program, it could be considered as a maximum or upper bound.) This would be equivalent to about 845 million bushels of wheat, 670 million bushels of feed grains and 22 million hundredweight of rice. This would amount to 40 percent of the wheat, 9 percent of the feed grains, and 19 percent of the rice from the 1975 U.S. crops. If a working stock of 23.5 million tons were also held by private firms, the total stock of 64.5 million tons would be equivalent to the average level of stocks from 1963 to 1972 in the U.S.

Yet another approach could be based on deviations from import trends. This would take into account the kinds of adjustments which importing countries have made to shortfalls in production. These adjustments would include rationing out short supplies through higher prices or using grain from stocks or some other means.

For the limited numbers of cases during 1960-1973 when world wheat and rice production was below trend and imports increased as a result, about 53 percent of the gap was closed by imports. When wheat production was above trend, the decrease in imports was 63 percent of the increase in production.¹

This approach would represent a type of lower bound which might be placed on stocks. The cumulative shortfalls or the 95 percent contingency level could represent an upper bound.

Based on import deviations, a 95 percent contingency level and the U.S. holding half the stock, an inventory of about 9.5 million tons of wheat, 4.8 million tons of coarse grains and 0.5 million tons of rice would be required. This would be equivalent to 349 million bushels of wheat, 189 million bushels of corn and 11 million hundred weight of rice. Estimated annual cost for this alternative is \$265 million. Alternative levels of stocks could be determined under other assumptions and objectives.

Summary of size and cost comparison for reserve stocks

Historic shortfalls give some idea of the magnitude of stocks needed to even out grain

availability. If prices are allowed to fluctuate over a range, the market would allocate some of the deviation from production trend. Larger deviations would be buffered by stocks. With a fairly wide price range between purchase and release price, private stocks would likely increase above minimum levels. This suggests a buffer stock substantially less than the maximum shortfall.

Table 7 lists the alternative stock levels in descending order of cost. Alternative A, C, E, and F are probably not viable alternatives because of the large amounts of rice included. Remaining alternatives can be listed in 3 groups as to high, medium and low cost. Alternatives B and D have high cost and represent large stocks. If we assume additional working stocks of 23.5 million tons, these two alternatives would represent stocks approximately equal to the maximum U.S. grain stock held in any one year during the 1960-73 period. They might be alternatives for the world, but not for the U.S. alone. Alternatives G and H have medium cost. Stocks of this quantity plus working stocks would approximate the average yearly amount of U.S. stocks held over the 1960-73 period, a period of reasonably stable grain prices.

Alternative I represents a low cost alternative. Price variation would be greater under this alternative, how much greater is unknown. However, variation during the 1972-75 period gives some indication of the amount of variation.

The data on costs of holding stocks are estimates of annual average storage costs over time assuming the stock was always at its maximum. They would vary from year to year depending on the size of the stock. Acquisition and disposal of inventory would result in annual net expenditures or receipts. In some years, the Treasury would generate a surplus by selling stocks. In other years when stocks were being accumulated, there would be a net treasury outlay.

Rules for acquiring and releasing stocks

Throughout the 1960's, the Commodity Credit Corporation acquired stocks primarily through loan take-over. Stocks were put back into the market at about 15 percent over acquisition price. Grain was exported with the help of U.S. export subsidies. Grain was released at less than the prescribed price when it appeared to be going out of condition. Prices fluctuated in a very narrow band since stocks were not completely depleted.

Maintaining prices within a very narrow band requires much larger stocks and/or use of additional control mechanisms. Limiting price movements to a narrow band distorts price signals when underlying forces of supply and/or demand are changing. When production is down, higher prices are needed to ration out the smaller supply and to encourage producers to increase production in future periods. Experience suggests a wider band is needed. Any choice is arbitrary but it would appear that a release price 50 percent higher than acquisition price would meet most of the objectives of a stocks policy without at the same time materially distorting market signals.² Likewise, the stocks agency would be less involved in the market over time as compared to following a policy of maintaining prices in a narrower band.

A procedure would be needed for adjusting the upper and lower bounds in response to changing economic conditions. If stocks accumulated in excess of the desired quantity, acquisition prices would need to be lowered. Likewise, if stocks were drawn down too rap-

idly or frequently, the upper bound would need to be increased. Ideally, the bounds would center on the long or intermediate run equilibrium level of prices.

Several proposals have recommended a quantity rule rather than price rules for acquiring and releasing stocks. A quantity rule based on variations in world grain production ignores changes in demand. It more or less assumes no response to price. Operationally, price information is more current and more readily observable than quantity. Quantity tends to be known only after the fact. Furthermore, price changes represent a consensus of many people about current and future supply and demand conditions.

Because of the need for adjusting the upper and lower price bounds, it may be more appropriate to use a combination price-quantity rule.

Rules for acquiring, disposing, and managing stocks would need to be developed and announced to producers and world buyers. Because of the tendency for manipulation of rules to attain short run political objectives probably a minimum of discretion should be left to the administrators of the program.

The main reason for stocks is to reduce uncertainty among the participants in the market under the assumption that this will increase efficiency of production and consumption. Unless adequate rules and safeguards are developed and made known to all participants, the system itself and those who control it become a source of uncertainty. Conceivably, this could become a larger source of uncertainty than the underlying forces which bring a stock policy into being.

There are disadvantages, however, of a publicly stated set of rules. A U.S. owned stock operated with a set of rules known to all would enable other countries to come in under the umbrella and perhaps manipulate the system to their advantage. Other exporters could sell grain in the world market just slightly under U.S. release prices which would tend to make the U.S. a residual supplier. However, this type action would not be counter to the overall price stabilization objective.

Problems of potential manipulation by the rest of the world would probably lead to greater interest on the part of the United States participating in an international grain reserve.

Who would own the stocks?

Stocks could be publicly or privately owned. The principal reason for a publicly owned stock is that if stock ownership is left in private hands, stocks would be too small to meet social objectives. To the extent that private individuals and firms are risk averters and have higher discount rates, this would be true. It has been argued that private firms would hold ample stocks if trade among nations were relatively free and not subject to government restriction and manipulation. In the imperfectly competitive market in which world grain trade takes place, a publicly held grain stock may serve the purpose of reducing more harmful governmental intervention of other types.

Private firms could be persuaded to hold larger stocks through appropriate government incentives. These incentives could be in the form of subsidized interest rates for construction of storage facilities and for covering the cost of carrying grain. Larger stocks held exclusively in private hands, however, would not necessarily reduce uncertainty in the market. If wide price bands are used, the opportunity for more private speculation would be present.

One of the objections to a privately held stock is that the stocks agency would not have sufficient control over stocks and could not call on them in time of need. This could be overcome somewhat by making loans only

¹These calculations are deviations from production trend of world wheat and rice production combined but exclude wheat production for wheat exporting countries. For imports, deviations are from trend world wheat imports.

²The Committee for Economic Development recommended that sales from the stock pile should not usually be made at prices less than twice the price at which stocks were acquired, p. 27.

to those who would agree to deliver grain when it was called. A producer could be obligated to turn grain over to the agency when prices rose to the release price or be required to market the grain. In either case, grain would be moved out of stocks and into marketing channels.

Regardless of whether stocks are publicly owned or privately owned under government administration the question of who controls their acquisition and release is of great importance. One way to guard against manipulation of stocks for short-run political objectives would be for the Congress to establish a set of rules for operating such a program. Perhaps administration of the rules could be assigned to the Federal Reserve Banking system. The Commodity Credit Corporation would be another possible entity. However, if the CCC were to be assigned the responsibility, it would be necessary to restructure the organization so it would be less subject to political manipulation than it has been in the past. Under any system, rules could be changed only by the Congress.

How would initial stocks be accumulated?

With acquisition and release prices set in a wide band around a correctly estimated, long run equilibrium price, it might be several years before any stocks were acquired. In this case, if a more rapid build-up were desired, the agency could announce a purchase price above the "normal" acquisition price prior to planting time and then agree to purchase up to a specified amount of grain.

More emphasis may be placed on the food security objective than on the price stabilization objective of a stocks policy. If security is the primary objective, it would be necessary to rebuild stocks before prices dropped to the acquisition price. As soon as grain were released from stocks, the agency could announce it would purchase a specified quantity at a price above the normal acquisition price. This would stimulate production for stock replenishment.

Who would benefit from stocks?

While stocks are being acquired, grain producers would benefit through higher prices. Consumers would pay higher prices as a result of acquisitions. Consumers would gain from the stability provided by stocks but would pay the cost of holding buffer stocks through their tax payments. Foreign buyers would gain from stability provided by the U.S. with the U.S. paying the costs.

It would be possible to get foreign buyers to share in the cost of holding the stocks by applying an export tax to grain released to the world market from the stock.³ This would not mean that a tax would apply to all grain exported. Rather, it would apply only to sales from the stock or when grain prices were above the stock release price.

Farmers that can survive price fluctuations tend to gain less from stable prices relative to highly variable prices. On the other hand, there are some offsetting gains to farmers provided by expansion in foreign demand. Long run export growth would be enhanced to the extent that U.S. stocks discourage other countries from engaging in subsidized self-sufficiency programs or look to non-U.S. sources of supply.

STOCKS ARE NOT THE ONLY ALTERNATIVE

Greater stability in U.S. grain prices could be attained through freer trade in other countries. Policies followed by other countries include internal control of prices through price support programs coupled with regulation of imports and exports of grain.

³ Under present rules, such a tax might be unconstitutional.

Policies of this type force a disproportionate adjustment to changing world demand and supply conditions on those countries which attempt to follow a "free" market for grain. "Remedies" to this situation would require vigorous negotiation over trading relationships among nations. Negotiations would need to include some coordination of internal farm policies.

Improved communication about world market conditions enables the market to work more efficiently. The current export monitoring system should prevent future "surprises" in the market. However, even with this information, the producer is left with uncertainty as to what government will do when proposed purchases are larger than automatically approved limits.

Another alternative would be to follow the pattern set by most other countries of the world. That would include use of import restrictions, price supports, export subsidies and use of export controls. This alternative would represent substantial governmental intervention into the market.

A stocks policy is an alternative which will contribute to stabilization, but it has costs which are not borne equally by everyone. Prospects for more liberalized trade in the current political and economic environment appear dim in view of current protectionist tendencies. The public propensity to intervene in the market when swings become too large does not seem to be diminishing. Since U.S. farmers have an important stake in maintaining export markets and forestalling inefficient self-sufficiency programs in other countries, they may come to see a stocks policy in their interests if adequate safeguards can be built into it. If such a stocks policy facilitated development of foreign markets and at the same time stabilized domestic demand for grain for livestock feeding, producers as well as consumers could benefit.

A stocks policy would not be a complete policy for the food and agricultural sector. Consumers would probably still push for some protection against sharply higher prices when grain prices exceeded the upper bound. This would likely be in the form of price controls or export controls. Producers would likely need protection against prices below the lower bound. This could be in the form of direct payments or some form of supply control. An appropriately designed stocks program should result in only infrequent use of these types of emergency programs.

A GRAIN RESERVE PROGRAM—STATION BULLETIN No. 137

(By B. F. Jones)

SUMMARY AND CONCLUSIONS

The primary purpose of this publication is to describe and analyze a specific grain reserve program. If society does desire to publicly hold grain reserves, the program described here provides a workable choice. The publication does not advocate a solution to the grain production instability problem but is designed to promote informed debate on program alternatives and trade-offs.

A stock of 30 million metric tons of grain held by the U.S. could be used to stabilize world grain consumption and world trade in grain around the trends which occurred from 1960 to 1973. Grain stocks would be acquired according to a prescribed set of rules and would not be accumulated beyond 30 million tons initially. (A growth factor would need to be built in.) Stocks would be returned to the market when world grain production dropped below trend according to a set of price release rules. The stock would be built back to its maximum size in the following crop year or sooner if market prices dropped below prescribed acquisition prices.

The stock would consist of 700 million bushels of wheat, 375 million bushels of feed grains and 1 million tons of rice.¹ Operation of the program would have an effect on grain prices. Grain prices would tend to be more stable than during the 1972-75 period, but would likely be less stable than during the 1960's. Prices would fluctuate since a relatively wide band is proposed between stock acquisition and release prices. This would permit market prices to continue to perform the functions of rationing grain to its various uses and guiding resource allocation by producers.

A Federal Board is proposed to acquire grain and administer its acquisition and release under a set of rules prescribed by Congress. It is anticipated that these procedures would insulate the stock from possible manipulation for short-term political considerations. Rather than hold the grain itself, the Board could administer a stock which was in the possession of farmers and the grain trade. This could be facilitated through storage payments to those who hold the stocks. Acquisition and release of stocks would need to be under control of the Board.

The stock program has the objective of insuring that grain will be available to even out variations in grain supplies as a result of fluctuations in world grain production. It is not designed to remove all price fluctuations or stabilize U.S. farm income. Price and income support, if considered to be necessary, would be a separate program operated according to its own criteria even though the various programs and objectives may be interrelated.

Any program, if it is to endure, must be logically consistent and economically feasible. It is believed the program presented here meets these criteria. Since the proposal involves trade-offs among various groups in society, it may or may not be politically acceptable; no attempt has been made to evaluate this aspect of the proposal. It is anticipated that the bulletin will be of use to policymakers and persons likely to be affected by the program as they evaluate various proposals and to students of agricultural policy.

OBJECTIVES OF THE RESERVE

The principal objective of the reserve stocks program described here is to use grain storage to compensate for the year-to-year variations in world grain production. This would require putting grain into storage when production is above trend and releasing it when production is below trend. The program would be designed to operate as a type of insurance program which would assure that grain supplies will be available when crops are reduced below trend because of unfavorable weather or other unpredictable events.

The quest for stability in the food sector can focus on either supply availability or on prices. Prices reflect underlying demand as well as supply conditions. Various means for stabilizing prices would not necessarily make grain available to compensate for year-to-year variations in production. Price controls set at low levels would stabilize prices at least for a time, but rationing by some other means than price would be necessary. In addition, price ceilings would not make more grain available, in fact, over time they would tend to have the opposite effect. Export controls would keep domestic prices from rising, but would restrict supplies available to foreign buyers at the very time price signals are indicating more, not less grain is needed.

Wide price fluctuations signal to consumers

¹ Feed grains assume corn equivalent.

that underlying demand or supply conditions have changed. Declining stocks create fears of running out of food. No matter how unwarranted such fears may be in the U.S., they indicate a concern over food security. If for no other reason than this concern, the food security and price stabilization objectives of a grain reserve program should be separated for analytical purposes in order to clarify the policy issues involved.

Ideally, all countries of the world which buy or sell in world grain markets would participate or share in the cost of the storage program in proportion to the benefits they would receive. However, if it is not possible to secure participation of other countries on a world-wide basis, it may be in the interest of the U.S. to establish a reserve program because of its dominant position in world wheat and feed grain markets and its interest in retaining those markets.

In 1974-75, the U.S. supplied 44 percent of all wheat and 55 percent of all feed grains which entered foreign markets.² Because of large stocks of grain available in 1972 and the capacity to rapidly expand its production in subsequent years, the U.S. has increased its share of the export market from 29 percent of the wheat and 38 percent of the feed grain entering foreign markets in 1971-72.

This program is not designed to function as a food aid program. It is anticipated that the financing of food aid programs to benefit low income countries would be operated outside this program. With outside financing available grain would be released to the food aid agency from the reserve under the same set of rules (presented in a subsequent section) which apply to other potential users.

Furthermore, the reserve program is not designed to stabilize U.S. farm income nor put a floor under farm prices. If the stock is managed to satisfy food security objectives and is not permitted to accumulate beyond a specified size as is being suggested in this publication, market prices could decline below stock price acquisition levels.

A separation of the food security and price-income objectives would permit operating two programs, each according to its own criteria. This approach would avoid excessive accumulation of stocks, an argument frequently made in opposition to a grain reserve program. The stocks program would, however, play a significant role in price stabilization as long as stocks were greater than zero and less than the maximum size.

SIZE AND COMPOSITION OF THE RESERVE

A maximum stock of 30 million metric tons of grain would have been sufficient to compensate for all shortfalls in world grain production which occurred over the 1960-1973 period when all the major grains are considered as an aggregate.³ This is equivalent to 1.2 billion bushels of wheat and would be equal to about 21 percent of the amount of wheat, coarse grains and rice that entered world trade channels in 1974-1975. When wheat, coarse grains and rice are grouped together, the required stock is smaller than might be expected from analyzing annual production changes for individual commodities. This is because production changes tend to average out on a world-wide basis. A small wheat or coarse grain crop may occur in the same year as a large rice crop or various

other combinations may occur which cause the total world shortfall to be less than the shortfall in one particular grain.

Since wheat and rice tend to be substitute food grains, and wheat and feed grains are substitutes to a lesser degree, the stock could consist of 30 million metric tons of whichever grains were most plentiful at the time of acquisition. This lack of concern over composition of the stock would be feasible if free trade existed among countries and grain were free to move to where it was needed. Because of the many inflexibilities which exist in world grain production and trade, it would probably be necessary to specify a mix of commodities. The mix might vary within set limits depending upon which grains are most plentiful when stocks are being accumulated.

The mix of grains could be determined from year-to-year changes in world imports. Over the 1960-73 period when world grain production dropped below trend, a part of the shortfall was made up by increased imports. The record of deviations from the trend in grain imports suggests a mix of 700 million bushels of wheat, 375 million bushels of feed grains and 1 million metric tons of rice.

Although a stock of 30 million tons of grain would have been sufficient to compensate for the annual production shortfalls for the 1960-73 period, a larger stock would be required for the future because of the growth trend in production and world trade in grain. It is recommended that the storage stock grow from the initial target level at the same rate as the annual increase in grain production.

The stock level of up to 30 million metric tons under the control of the Board would be in addition to stocks held privately by farmers and the grain trade.

Although the prices of soybeans and their products have been more volatile than the price of grain during the 1972-75 period, it is not anticipated that the stock would include soybeans. A wide range of substitutes exist for both soybean meal and oil. Soybean production competes with both corn and cotton production. This permits farmers to rather quickly adjust soybean production to changing market demands.

In summary, a stock of 30 million tons of grain would be acquired for food security purposes. Additional grain would not be acquired by the Agency beyond the 30 million tons even though market prices might drop below the acquisition price.

WHO WILL CONTROL THE RESERVE?

Different groups in society are likely to have different perceptions of how stocks should be used for attaining food security. Thus conflicts over use of the stock would likely arise. Actions of the stock agency would tend to raise prices when grain was being accumulated but would tend to reduce prices when grain was being released. The need for an even-handed set of administrative rules suggests the stock should be under the control of a Federal Board appointed by the President subject to approval by the Congress. This would be a semiautonomous Board similar to the Federal Reserve Board.

Rules under which the Board would operate for acquiring and releasing grain should be specified by the Congress subject to periodic review. A change in the rules would require an act of Congress.

Although the Commodity Credit Corporation has over 40 years experience in administering commodity programs it is currently organized for other purposes than assuring food security. Questions might be raised as

to whether it could be sufficiently insulated from short-run political considerations. Therefore, a new Federal Board would be preferred or a major reorganization of the CCC would be required with a wider range of interests represented on its board of directors than are included at present.

The reserve could be either publicly owned by the Board or it could be left in the hands of producers under the control of the Board. In the latter case, the Board would need to have sufficient control over the grain or have an appropriate set of incentives to fully control its acquisition and release.

OPERATING RULES

Although the objective of the program is to provide food security through acquisition and use of a 30 million ton stock of grain, price rules would be established for acquiring and releasing the grain. Ideally, this price range would be related to the long-run equilibrium price of grains. This would avoid excessive stimulation to production but would encourage production for stock accumulation. The acquisition price would need to be high enough to draw grain into the stock. In view of 1976 prices and production costs, acquisition prices for corn might be set at \$2.50 per bushel for corn and \$3.75 for wheat.⁴ Prices are assumed to be average prices received by farmers for specified grades of grain, e.g., no. 2 yellow corn at local markets. Release prices would be set 50 percent higher than announced acquisition prices. This would be \$3.75 for corn and \$5.62 for wheat. Acquisition prices would be adjusted each year. One way to keep acquisition prices related to changing market demand and supply conditions would be to tie them to a 3- or 5-year moving average of market prices.

An alternative procedure for adjusting prices would be to tie acquisition prices to the cost of production. Because of many possible problems associated with this approach, including the fact that it does not take into account changes in demand, the approach of relating them to a moving average of market prices might be preferred.

Because the emphasis is on food security, price rules would be modified by a quantity rule. When the stock level was less than one-half the target level of 30 million tons, the acquisition price would be raised by 25 percent over the "basic" acquisition price. When stocks reached the half-way level, or 15 million tons, the acquisition price would be lowered to the "basic" acquisition price. This acquisition pricing procedure would recognize that stocks have a declining marginal value to society as more stocks are accumulated.⁵

Suggested acquisition and release prices are shown in Table 1. It would be up to the Congress to make the final decision on price levels.

Agriculture, Grains, FG 5-76, March 1976 and as maximum acquisition prices. The Board would make its purchases at the market or acquisition price, whichever was lower.

⁵ Economic theory would suggest that the acquisition price should be a continuously declining function of the size of the stock. Operationally, this appears to be less feasible than a single, two-level acquisition price schedule. Under the continuously declining schedule, producers would be less certain of the price they would receive for grain going into the reserve.

² Foreign Agricultural Service, U.S. Dept. of Agriculture, *Grains*, FG 5-76, March 1976 and FG 23-74, November 1974.

³ An analysis of grain shortfalls during the period 1960-72 is reported in *Station Bulletin* 124 by Jones, *op. cit.* The bulletin also considers stocks of different sizes to meet alternative objectives, whereas this paper considers only one particular alternative.

TABLE 1.—SUGGESTED STOCK LEVELS, ACQUISITION AND RELEASE PRICES

(Dollar amounts per bushel or hundredweight)

Grain	Desired stock level	Acquisition prices		Release price
		Basic level	When stocks are less than ½ desired level	
Wheat (million bushel)...	700	\$3.75	\$4.69	\$5.62
Corn (million bushel)....	375	2.50	3.12	3.75
Rich (million hundred-weight).....	22	11.50	14.38	17.25

It is unlikely that the Board could, correctly estimate the long-run equilibrium price for grains. The stock would tend toward depletion if the release price is set too low; the stock would tend to be always at the maximum if prices are set too high. In order to avoid either extreme, the Board would have responsibility for adjusting the basic acquisition price each year.

The enabling legislation could specify that acquisition prices be related to a 3- or 5-year moving average of prices. In this case the Board would simply do the necessary calculations and adjust the acquisition and release prices each year. Prior to the planting season, the Board would need to announce acquisition prices and indicate expected purchases.

As soon as stocks are released, the Board would announce their release. This would be the signal to producers that the Board would stand ready to acquire grain to replenish stocks from the next crop year or sooner if prices dropped to acquisition prices during the current crop year.

Rules would need to be established for determining what proportion of the stocks are to be ready in any one year. If the size of the stock is currently estimated and a relatively large difference between acquisition and release prices is maintained, the stock agency should stand ready to release the entire stock when market prices are above the indicated price.

As indicated above, management of the stock should not be used to meet farm income or commodity price objectives. Rather, the stock program should be looked upon as a means of assuring food supplies. Other more appropriate means should be used for providing farm income and price stability.

WHO SHALL HAVE ACCESS TO RESERVES?

Grain stocks would be released to the market only when prices were above established release prices. When grain prices are above the release price and grain is being sold from stocks, any domestic buyer would have access to the stock. Since identity of the grain would not be maintained once it is released to the market, foreign buyers would also have access to the released stocks.

The reserve would not be used directly for food aid purposes. Indirectly it could be when market prices were above the release price and grain was moving from storage stocks to the food aid agency or any other participant in the market. When market prices are below the release price, the food aid agency would purchase grain needed for aid purposes in the market.

Management of stocks would likely require selling grain which was in danger of going out of condition, in fact a systematic rotation of stocks would probably be required. In such cases grain could be sold at less than the released price. The released grain would be replaced at the prevailing market price.

HOW SHALL COSTS BE SHARED?

If the stock is publicly owned, all taxpayers would be contributing to the cost of

holding the stock. Initial acquisition of the stock would require an investment of about \$4.3 billion when grain is valued at prices included in Table 1. An upper limit on overhead costs of the program would be about \$700 million (Table 2). Annual overhead costs would include interest on investment in grain valued at acquisition prices and annual charges for grain storage. Experience of the Commodity Credit Corporation suggests an annual administrative cost of \$45-50 million.

On the average, the annual budget needs of the Board would be less than \$700 million—about \$300 to \$500 million—because of the profit margin made on each bushel of grain purchased and eventually sold by the Board and because the average size of the stock would be less than the maximum size. But the budget needs of the Board would vary considerably from year to year. Positive cash balances would be generated in years of substantial sales. In other years budget needs could exceed several billion dollars when substantial stock purchases needed to be made. If the entire stock were acquired in one year an investment outlay of about \$4.3 billion would be required.

TABLE 2.—Estimated Annual Overhead Costs When Stock Levels are at the 30 Million Metric Ton Level

	Million
Interest on investment in grain.....	\$430
Annual storage charge for facilities....	222
Administrative expenses of the board....	50
Total	700

Users of grain from stocks, including foreign buyers, would be paying a share of storage costs. Taxpayers would incur only the net cost of operations of the Board.

CONSEQUENCES OF THE PROGRAM

Thirty million metric tons of grain held by the U.S. would help stabilize world grain consumption around the trends which occurred from 1960 to 1973. Availability of stocks would permit U.S. trade to expand as world shortfalls occurred.

Consumers of grain, i.e., the domestic and foreign consuming public and livestock producers, would be the principal beneficiaries of the stocks because they would be assured of a supply of grain at all times. Fear of running out of grain due to unpredictable annual variation in supply would be diminished.

A grain reserve held by the U.S. with the objective of food security would facilitate holding and perhaps expanding U.S. export markets. Use of export controls or fear of low inventories encourages foreign buyers to promote self-sufficiency programs and to develop alternative sources of supply. Although it is difficult to precisely determine the long-run effects of such activities on U.S. exports, analysis of current and past agricultural production and trade policies of other countries, particularly Western Europe and Japan, indicate food security is frequently an important factor in policy development.

A U.S. grain reserve held for security purposes would tend to reduce price and quantity uncertainties in grain markets which contribute to increased speculation in grain markets. Price speculation in grain markets does perform a useful function in grain marketing. However, the process of trial-and-error by which markets arrive at the correct price to ration out very small supplies can entail costly errors.

The program would facilitate giving of food aid to meet humanitarian objectives as grain would be available from storage via the market when shortfalls occur. Appropriation of funds to pay for aid would be more likely if grain were available from public stocks.

Foreign buyers would stand to benefit as well as domestic buyers. For this reason, it

would be desirable to get international financial support from buying nations to contribute to the net cost of the program. Foreign buyers would be contributing to gross costs of running the program when the Board was making sales. The contribution would be indirect through export purchases which raised prices and triggered grain to be released from the stock.

Although consumers would appear to be the principal beneficiaries of the program, grain producers would benefit when grain was being acquired. On the other hand, producers would forego higher prices when grain was being released. But they would benefit by being able to hold foreign markets. In the long-run, grain producers might find the program useful in forestalling more harmful ad hoc programs hastily adopted, such as recent moratoriums on grain sales, to deal with fluctuating production and prices.

The reserve stock would contribute to more stable grain prices in the U.S. than existed in the 1972-75 period. Because of the U.S. position in world grain markets, a U.S. owned stock would add stability to world grain prices. More stable domestic grain prices would tend to stabilize domestic livestock production.

The costs and benefits of a storage program involve a number of economic relationships and assumptions which include values and beliefs held by society with respect to greater security rather than widely fluctuating prices. These intangible costs and benefits need to be taken into account in further analysis of such a program in the formulation of a public decision on a grain reserve program.

Mr. BAYH. Mr. President, the individuals who have contributed to these publications deserve to be applauded for their efforts; aside from Professor Jones, these people are: J. C. Bottum, P. L. Farris, G. L. Nelson, J. A. Sharples, and R. L. Walker. Three individuals offered review comments: Emerson Babb, Otto C. Doering III, and T. Kelley White, Jr.

Mr. President, I have had occasion in the past to call on Professor Farris, Professor Jones, and other members of the Purdue faculty for their opinions and analyses of agricultural policy. They have responded most generously with their time and expertise. Their assistance has been invaluable to me. The type of indepth, objective, and thorough research and analysis made available in Bulletins 124 and 137 is sorely needed to enable us to address constructively the problems of domestic agriculture and world hunger.

In the past I have advocated establishment of a strategic grain reserve, which I have characterized as a "national food savings account." The main purpose of a strategic reserve is to stabilize prices by protecting farmers from income depressing surpluses and from dumping, and to protect consumers from shortages which push prices out of reach. A vast amount of careful evaluation is needed to determine which type of reserve will best serve the interests of both farmers and consumers. The two publications which I have inserted in the Record today are an important contribution to that ongoing evaluation.

VIETNAM U.N. MEMBERSHIP

Mr. STEVENSON. Mr. President, we have learned in the morning papers that the President has instructed our Ambassador to the United Nations to cast a veto in the Security Council against the application by Vietnam for membership in the U.N. I suppose we must accept that the die is cast and that no amount of urging—at least not by individual Members of this body—will bring about a reversal of this short-sighted decision. But I must put myself on record that I do regard a veto as bad policy. It is actions such as these that are depriving us of the position of leadership which we once enjoyed in world councils, the U.N. included.

A veto is wrong because it is inconsistent with our own previously declared policies.

It is wrong because it will set back our objective of obtaining a full accounting from the Vietnamese Government for the missing-in-action.

It is wrong because it will isolate us totally on this issue from the rest of the U.N. membership, including our staunchest allies.

It is wrong because it will be perceived by all nations as an act of an administration imprisoned by domestic politics, more concerned with the ballot box than with its responsibilities as a great power.

Last year we cast a similar veto on the grounds that South Korea had been rejected by the Security Council and that we could not accept the principle of "selective universality." We proclaimed, however, our support for the principle of universality at that time. This year South Korea is not asking to be reconsidered for membership. Stripped of that handy excuse, we are now apparently no longer in favor of universality and are insisting upon criteria which are wholly related to our own personal quarrel with Vietnam. This is the sort of behavior which we would self-righteously denounce if it were exercised by another permanent member of the Security Council, such as the Soviet Union. In fact we have done so many times.

I deplore the manner in which the Vietnamese have used the MIA issue for their own bargaining purposes. It is an act of cruelty directed at individual American families. The exchange of communications with the Secretary of State, on its face, shows that the Vietnamese hope to trade bodies for economic aid, which shows on their part a deplorable misunderstanding of the American political process. But are we not being equally callous toward the families of the MIA to shut the door so firmly in the face of a clear Vietnamese willingness to discuss the matter? Shutting the door to U.N. membership is hardly a response calculated to produce additional MIA accounting.

Mr. President, our veto of Vietnamese membership last year was followed by a resolution in the General Assembly in which 123 nations voted to have the Security Council reconsider the Vietnamese application favorably. Not one member

voted against this resolution. Not one. We ourselves chose to abstain rather than vote against virtually the entire membership of this world body. This political use of the veto sets a serious precedent for blocking membership which one day may be cited in support of actions which we would oppose. This failure to accept the basic principle of universality may make it more difficult for us to defend Israel against continued attacks to banish that brave nation from the General Assembly.

Mr. President, it is time to reassert American leadership, to show ourselves as a great nation capable of rising above the disappointments of past failures such as the tragic and disastrous venture in Southeast Asia, capable of moving, in concert with our friends and allies, toward peaceful solutions of the world's tensions and ills. The veto about to be cast will be seen by those we hope to lead as mean-spirited and petty. I hope we shall soon have seen the last of such narrowminded policies.

Mr. President, I ask unanimous consent that a letter dated September 9 from Senators HATFIELD and McGOVERN to the Secretary of State be printed in the RECORD at the conclusion of these remarks. While I might hesitate to characterize the Vietnamese release of 12 names as a "good will gesture," I concur in the authors' conclusions.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C., September 9, 1976.

HON. HENRY A. KISSINGER,
Secretary of State,
U.S. Department of State,
Washington, D.C.

DEAR MR. SECRETARY: With the question of Vietnam membership in the U.N. coming up for debate in the United Nations Security Council as early as September tenth, we think it is time now for the United States to demonstrate a sensible commitment to a future of friendly relations with Vietnam. As you stated almost a year ago, the United States should be prepared to respond positively to any sign of good will and understanding by the Vietnamese on pressing issues of humanitarian concern.

The move by Vietnam Monday in confirming that twelve Americans previously listed as missing were killed in action is precisely the kind of gesture on the issue of MIA accounting that the U.S. government has been seeking. It is clearly a response to your own desire, expressed only last week, for concrete progress on an accounting. In that statement, you implied that such a move by Vietnam would prompt the U.S. to refrain from vetoing its membership in the United Nations. Indeed, the New York Times reported on September first that sources close to the Administration were "speculating that the United States attitude may depend on a last-minute signal from Hanoi holding out hope for progress in efforts to settle the problem of Americans missing in action".

We hope that you will recognize that Vietnam has made a good will gesture and has done so in response to a specific U.S. demand for progress on an accounting. If the U.S. does not reciprocate, at least by acquiescing in Vietnam's membership in the U.N., it would represent a rigidity toward Vietnam which could only do harm to U.S.-

Vietnamese relations at a time when there is a chance to begin negotiations looking toward resolution of the MIA accounting problem. It might reduce the possibility of any future such gestures of good will by Vietnam.

Membership in the U.N. has traditionally been the right of every sovereign state. The vote of one hundred twenty-three to zero in the General Assembly last September rejecting, in effect, the U.S. veto of Vietnam's membership indicates how completely isolated the United States has been in connecting the questions of MIA accounting and United Nations membership. But regardless of the wisdom of that linkage, the Vietnamese gesture makes it even more incumbent on the U.S. side to show its good will by refraining from exercising the veto once more.

Sincerely,

GEORGE McGOVERN.
MARK O. HATFIELD.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

STATE AND LOCAL FISCAL ASSISTANCE AMENDMENTS OF 1976

The PRESIDING OFFICER. At this time, in accordance with the previous order, the Chair lays before the Senate the unfinished business, which the clerk will state.

The assistant legislative clerk read as follows:

A bill (H.R. 13367) to extend and amend the State and Local Fiscal Assistance Act of 1972, and for other purposes.

Mr. HATHAWAY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATHAWAY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BIDEN). Without objection, it is so ordered.

Mr. HATHAWAY. Mr. President, I ask unanimous consent that John Craford be granted the privileges of the floor during the consideration of the pending bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HATHAWAY. Mr. President, I believe the Senator from Iowa is about to propose an amendment.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. McGOVERN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE UNITED STATES AND VIETNAM

Mr. McGOVERN. Mr. President, I regret very much the decision announced

in the press today that our Government has decided to deny Vietnam admission to the United Nations. This decision, it seems to me, is based on a fundamental misunderstanding of the function of the United Nations organization. That body was never intended to be a union of nations that agree with each other. It is an international forum composed of nations of widely varying views and conflicting philosophies, but a forum which can serve as a structure for the discussion, the debate, and the possible settlement of disputes such as the Vietnam issue.

If we are seriously interested in pursuing more information about Americans missing in action in Vietnam, and I think we are serious about that, the best way to proceed is by restoring normal diplomatic relations with Vietnam. That is the way countries do business with each other. The United Nations is one forum through which nations can pursue matters at issue.

The Vietnamese have repeatedly indicated their willingness to pursue the MIA issue and other obligations of the 1973 Paris accords. They have not proceeded, obviously, as rapidly as we hoped they would. It seems to me we are not going to expedite the process but would do just the opposite by attempting to isolate them diplomatically from the world community.

We should cease our contention that the Paris accords of 1973 are no longer operative and begin the process of regular diplomatic and economic relations with Vietnam.

Mr. President, it strikes me as something of a paradox that we are pressing our claim for more information about the Americans missing in action under the agreement that was signed in Paris in 1973 and at the same time the Secretary of State and others are announcing that that agreement is no longer binding and no longer operative. I think we are arguing against our own case when we take the position that the Paris accords, signed in 1973, no longer have any validity because it is under those accords that the Vietnamese agree to provide a full accounting of Americans missing in action.

We have an opportunity, by opening up diplomatic relations with Vietnam and approving their admission to the United Nations, to encourage greater political independence on the part of this new country which has been unified, North and South, within the last year. We have an opportunity to pursue profitable trade, which is in the interest of ourselves and of the people of Vietnam, and we have the opportunity to secure a greater exchange of information on all matters by normalizing our relations with this country with which we were once at war. It is not in our interest, no matter how narrowly defined the matter of self-interest, to abandon Southeast Asia to the commercial and political interests of China, Russia, and other foreign powers.

On what basis do we assume that it is in the American national interest to leave the people of Southeast Asia with no place to turn for trade, for commerce,

or for political support other than to the countries in that area?

When my wife and I visited Vietnam early this year, as a part of a trip authorized by the Committee on Foreign Relations of the Senate, we were told by Premier Pham Van Dong, Madam Binh, and other Vietnamese leaders that they would open the way for those American citizens who had been left behind in Vietnam to leave. They assured us that they would pursue the MIA question, and when I suggested that at the very least they could verify the names of those young men that they knew to be dead, they indicated they would follow that course. They pledged that they would immediately return the bodies of two Marines who had been killed in the final evacuation of Saigon. They indicated that they still regarded the Paris Accords as a valid and binding agreement, and that they were eager for economic and diplomatic relations with all nations.

Mr. President, you do not have to be an apologist or a defender of Vietnam to recognize that they have acted, at least in part, on all of those assurances that they gave us earlier this year. Surely the United States is a strong enough and great enough Nation to do no less. Let us not forget that no matter how much we suffered in Vietnam—and God knows we suffered enormously—we inflicted infinitely more suffering and destruction on the people of Vietnam, Laos, and Cambodia. No one can visit those little countries without becoming painfully aware of the enormous toll that was taken from the bombardment we delivered there. So we have some unfinished diplomatic and moral obligations in Southeast Asia.

I realize that this is an election year, but I would hope that common sense and decency do not have to disappear entirely every time we have a Presidential election.

Secretary Kissinger and President Ford deserve credit, and I think great credit, for their efforts, however belated, to resolve the explosive situation in South Africa. They deserve credit for the strenuous efforts to encourage an amicable settlement in the Middle East. They can demonstrate equal wisdom by keeping open the path to normal relations with such other trouble spots in the world as Vietnam, Cuba, and Korea.

Let me conclude, Mr. President, by saying that I am grateful that President Ford has named me as one of the American delegates to the United Nations. I realize that what I say here today puts me at odds with the official American position, and that I cannot utter sentiments of this kind in the United Nations itself as a delegate from the United States; but speaking as a Senator, as a Member of this body and a member of the Committee on Foreign Relations, I wanted to enter my strong dissent against the announced decision that we use our veto power as a country against the admission of Vietnam to the United Nations. I would like to see the day when every country in the world is a member

of that body, not that I think it is always going to be a happy and harmonious situation, but because I think it is far better for diplomats to be losing their tempers on the floor of the United Nations than losing the lives of their young people on the battlefields of the world.

Mr. President, I yield the floor.

STATE AND LOCAL FISCAL ASSISTANCE AMENDMENTS OF 1976

The Senate continued with the consideration of the bill (H.R. 13367) to extend and amend the State and Local Fiscal Assistance Act of 1972, and for other purposes.

AMENDMENT NO. 2285

Mr. HATHAWAY. Mr. President, I call up my amendment No. 2285, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Maine (Mr. HATHAWAY), for himself and Mr. MUSKIE, proposes an amendment numbered 2285.

Mr. HATHAWAY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 62, line 21, strike through line 3, page 69, and insert in lieu the following:

SEC. 11. STUDY OF REVENUE SHARING AND FEDERALISM.

Subtitle C (relating to general provisions) is amended by adding at the end thereof the following new section:

"(a) STUDY.—The Advisory Commission on Intergovernmental Relations shall study and evaluate the American Federal fiscal system in terms of the allocation and coordination of public resources among Federal, State, and local governments including, but not limited to, a study and evaluation of—

"(1) the allocation and coordination of taxing and spending authorities between levels of government, including a comparison of other Federal Government systems;

"(2) State and local governmental organization from both legal and operational viewpoints to determine how general local governments do and ought to relate to each other, to special districts, and to State governments in terms of service and financing responsibilities, as well as annexation and incorporation responsibilities;

"(3) the effectiveness of Federal Government stabilization policies on State and local areas and the effects of State and local fiscal decisions on aggregate economic activity;

"(4) the quality of financial control and audit procedures that exists among Federal, State, and local governments;

"(5) the legal and operational aspects of citizen participation in Federal, State, and local governmental fiscal decisions; and

"(6) the specific relationship of Federal general revenue sharing funds to other Federal grant programs to State and local governments, as well as the role of such revenue sharing funds in Federal, State, and local government fiscal interrelationships.

"(b) COOPERATION OF OTHER FEDERAL AGENCIES.—

"(1) Each department, agency, and instrumentality of the Federal Government is authorized and directed to furnish to the Commission, upon request made by the

Chairman, and to the extent permitted by law and within the limits of available funds, such data, reports, and other information as the Commission deems necessary to carry out its functions under this section.

"(2) The head of each department or agency of the Federal Government is authorized to provide to the Commission such services as the Commission requests on such basis, reimbursable and otherwise, as may be agreed between the department or agency and the Chairman of the Commission. All such requests shall be made by the Chairman of the Commission.

"(3) The Administrator of General Services shall provide to the Commission, on a reimbursable basis, such administrative support services as the Commission may request.

"(c) REPORTS.—The Commission shall submit to the President and the Congress such interim reports as it deems advisable, and not later than three years after the first day on which all members of the Commission have been appointed, a final report containing a detailed statement of the findings and conclusions of the Commission, together with such recommendations for legislation as it deems advisable.

"(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Commission, effective with the fiscal year beginning October 1, 1977, such sums as may be necessary to carry out the provisions of this section."

Mr. HATHAWAY. Mr. President, the bill as reported now authorizes a study commission. As a matter of fact, this was my own amendment which was adopted by the Finance Committee. After consultation with my colleague from Maine (Mr. MUSKIE) and others, however, I have decided to modify it by not setting up a new Commission, but simply referring that study to the already established Advisory Commission on Intergovernmental Relations. This would save whatever money was needed to set up the new Commission, and also incorporate the expertise of this already established Commission.

I, being the author of the amendment in the Finance Committee, have no objection to this substitute for my amendment. I understand there is no objection on the other side of the aisle, and I suggest that we vote on it, although I understand that the Senator from Iowa (Mr. CULVER) has an amendment to my amendment which he would like to offer; and I will be glad to yield the floor so that he may do that.

UP AMENDMENT NO. 453

Mr. CULVER. I thank the Senator from Maine very much for yielding at this point, Mr. President. I do have an amendment to the Senator's amendment, which I send to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Iowa (Mr. CULVER) proposes an unprinted amendment numbered 453 to amendment No. 2285:

On page 2, line 19, strike out "and".

On page 2, line 24, strike out the period and insert in lieu thereof a semicolon.

On page 2, after line 24, insert the following:

"(7) forces likely to affect the nature of the American Federal system in the short-

term and long-term future and possible adjustments to such system, if any, which may be desirable, in light of future developments; and

"(8) the legal and operational aspects of the processes by which State and local governmental units allocate Federal general revenue sharing funds among individual projects, especially the role played in such processes by long-term planning."

Mr. CULVER. Mr. President, the bill before us requires a study on revenue sharing and federalism in order to examine and evaluate the American Federal fiscal system. The study is mandated to inquire into a number of specific areas relating to the nature, purposes, and performance of general revenue sharing and to make recommendations to the Congress for improvement in these areas. The amendment which I have sent to the desk will single out two additional areas of inquiry which I believe are crucial for us to examine if revenue sharing is to continue to play a vital and creative role in the American Federal fiscal system.

One question which the study should address would be short-term and long-term forces affecting the nature of federalism in the United States and how these forces will influence revenue sharing in the future.

Any student of American history knows that the U.S. federal system of government has not remained static over the years but has responded flexibly and adaptively to new conditions and felt necessities. Certainly this has been true in fiscal relations, and phrases with which we have grown familiar in recent years such as "the new federalism" and "creative federalism" have as their primary application the sphere of taxing and spending. I believe that it is essential that in the future, revenue sharing be capable of responding and adapting to new governmental forces as diverse as regional interstate compacts and metropolitan-wide planning councils. A study of the implications of such forces for revenue sharing seems to me to be especially appropriate.

A second question which the study ought to address is the process by which State and local governments make decisions in the allocation of revenue sharing funds. My own experience convinces me that local governments generally expend these funds wisely and prudently. Nonetheless, I believe that it would be of great benefit to examine in detail their decisionmaking steps. In particular, I believe that it would be essential to determine the extent to which prudent foresight and a long-range perspective guide their determinations. In an age in which government at all levels is criticized—and rightly so—for lurching from crisis to crisis rather than thinking ahead and acting before problems grow into emergencies, and improvements which we could encourage in the development of such foresight and careful planning would be useful. And surely, a survey of what actually is being done in this area by local governments is an important first step in the right direction.

Mr. President, I believe that careful

consideration of these two areas by the study would contribute to our understanding of revenue sharing in the federal system and to our ability to make revenue sharing work as effectively as possible. I would, therefore, hope that the committee would accept this amendment.

Mr. HATHAWAY. Mr. President, I have had an opportunity to look over the amendment and discuss it with the Senator from Iowa. I think it is a helpful addition to my amendment, and I am happy to accept it.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Iowa.

The amendment was agreed to.

The PRESIDING OFFICER. The question now recurs on agreeing to the amendment (No. 2285) of the Senator from Maine (Mr. HATHAWAY), as amended.

The amendment, as amended, was agreed to.

UP AMENDMENT NO. 454

Mr. CULVER. Mr. President, I send to the desk another amendment, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Iowa (Mr. CULVER) proposes an unprinted amendment numbered 454:

On page 69, after line 15 add the following:

SEC. 13. Economic and Technical Assistance. Section 123 (relating to miscellaneous provisions) is amended by adding at the end thereof the following new subsection:

"(d) Economic and technical assistance.—The Secretary, acting through the Director of the Office of Revenue Sharing, shall make available to State and local units of government the economic and technical assistance necessary to encourage, develop, and implement long-range planning capabilities in the allocation and expenditure of Federal revenue sharing funds."

Mr. CULVER. Mr. President, this amendment would direct the Secretary of the Treasury to provide economic and technical assistance to State and local governmental units in order to help them develop and implement a long-range planning capacity in their expenditure of revenue-sharing funds.

Such a capacity would make a valuable contribution to governments' ability to respond to the needs and desires of their citizens. More than ever before, American society is characterized by rapid change. If public officials are to govern effectively, it is essential that they be capable of responding not only to the immediate pressures of the moment, but also to the likely conditions which we will be facing 5, 10, or even more years ahead.

In order to do this, the development of an institutional capacity to foresee likely changes and to prepare for them is essential.

Obviously, perfect crystal ball-gazing is impossible and that is not what we should aim for. But no decision involving heavy expenditures, for example, for

transportation systems should be made without some forecast or effort at projecting future traffic patterns. Similarly, it would not be wise to invest in community service facilities without attempting to have some knowledge of the demographic characteristics which would distinguish the city in the years ahead. Across the Nation experts are increasingly developing the ability to make such predictions or future scenarios.

However, very few local governments have the reservoir of technical expertise or data base to provide that capacity. And most are too strapped financially to be expected to hire consultants or gain access to data now available in the private sector. This amendment would direct the Secretary of the Treasury to make available financial, informational, and technical resources at the Federal level to local units of Government. Thus local governments could obtain the data base and the advanced methodology and forecasting techniques essential for the best use of their funds.

If adopted, this amendment would contribute greatly to insuring that Federal revenue-sharing funds are spent in the most effective and responsive way possible.

I, therefore, hope that the distinguished managers of the bill will accept this amendment.

Mr. HATHAWAY. Mr. President, will the Senator yield for a question?

Mr. CULVER. I yield.

Mr. HATHAWAY. I assume that the Senator means that this would be accomplished through the existing Office of Revenue Sharing without any additional appropriation being necessary. In view of the fact that this office now has accumulated data on 39,000 governmental units which have been receiving revenue-sharing funds over the past 5 years, there is available right now a lot of information that could be of great benefit to governmental units throughout the country. This amendment would simply require them to package something that could be sent to these units to aid them in making their decisions on spending this money. Does the Senator mean that?

Mr. CULVER. Yes; I do.

I wish to make clear that I do not envision, with the adoption of this amendment, the encouragement of an increase of bureaucratic force or staffing within the existing office. But I do hope that this amendment will do one thing. I hope that it will have the effect of creating an awareness of the need for sensible long-term foresight as to the implications of the expenditures of Federal revenue-sharing funds for certain purposes so that waste can be minimized and the most effective allocation of resources made.

It seems to me that, as difficult as it is to look ahead, we are developing increasingly methodology that permits us to ask some of the right questions in order to get a better grip on alternative probable futures. It seems to me further that if we could equip perhaps by way of technical resource packaging upon re-

quest of local governments, at least for those who had an inclination to be foresighted they could avail themselves of some of this material. With it, they could fill in the blanks, in effect, as to the kind of relevant data useful to their particular environment which they should have to make an enlightened and informed decision on how best to allocate their resources.

Mr. PACKWOOD. Mr. President, I have talked with the Senator. He used the words "on request." Does the Senator mind inserting those words on line 7 before "make available"? It is very clear it is to make available on request of State and local governments, so there is no allegation that we are trying to force this down their throat.

Mr. CULVER. I certainly am very willing to accept that. I think that very few things in life are of much value if forced on anyone. I do hope that it would be the kind of practice and concern that would develop a routine, however, and be viewed as an appropriate element in the decisionmaking process for the proper expenditure of Federal revenue-sharing funds.

Mr. PACKWOOD. Mr. President, may I ask the clerk if that may be inserted orally or do we need it in writing? That is to insert the words "on request" on line 7.

The PRESIDING OFFICER. The Senator has the right to modify his language, and it will be helpful if he will send the modification to the desk.

Mr. PACKWOOD. While that modification is being made, let me ask the Senator from Iowa one other question.

He indicated "acting through the Director of the Office of Revenue Sharing." I have no objection to those words. I wonder if the intent of his amendment would not be more readily achieved if that were stricken out so the Secretary of the Treasury was not limited to advice by having to act solely through that agency, where we have already agreed we do not wish to impose a horrendous burden. There might be a range of available talent if those words are not included.

Mr. CULVER. It seems to me that is a very constructive suggestion, and I wish to have it be a workable section in the legislation. If those additional resources could be better marshaled by enlarging the jurisdiction of the administrative authority, in this instance moving from the Office of Federal Revenue Sharing under the larger umbrella of the Secretary of the Treasury's office, generally I think that would be very useful.

Mr. PACKWOOD. In that case, if the Senator has no objection, I will not suggest modifying it now, but if we go to conference that language should be taken out. If the Senator has no objection, I shall accept the amendment on that basis.

Mr. CULVER. I might clarify this and leave it simply the Secretary of Treasury's office will provide these services.

Mr. PACKWOOD. It will read, "The Secretary shall make available, on request, to State and local units of gov-

ernment," the rest of the amendment as it reads.

Mr. CULVER. Should we say "utilizing the Office of Federal Revenue Sharing and any other appropriate resources," of his office?

Mr. PACKWOOD. That is fine.

I will in conference modify the amendment to that extent, and with that I am willing to accept it.

Mr. HATHAWAY. Yes. I think that is a good suggestion to add "other agency"; with those two modifications, Mr. President, I am happy to accept the amendment.

Mr. CULVER. Mr. President, for purposes of clarification, could we have the clerk read back the amendment as modified before we actually vote on it?

The PRESIDING OFFICER. The modified amendment will be stated.

The assistant legislative clerk read as follows:

On page 69, after line 15 add the following:

SEC. 13. Economic and Technical Assistance. Section 123 (relating to miscellaneous provisions) is amended by adding at the end thereof the following new subsection:

"(d) ECONOMIC AND TECHNICAL ASSISTANCE.—The Secretary, acting through the Director of the Office of Revenue Sharing, shall, on request, make available to State and local units of government the economic and technical assistance necessary to encourage, develop, and implement long-range planning capabilities in the allocation and expenditure of Federal revenue sharing funds."

The PRESIDING OFFICER. The amendment is so modified.

The question is on agreeing to the amendment as modified.

Mr. HATHAWAY. Mr. President, let me ask the Senators from Iowa and Oregon. Did we agree we were going to put in another modification, "acting through the Director of Revenue Sharing, and whatever other agency the Secretary desires to act through?"

Mr. PACKWOOD. I think we agreed on the language. I did not ask that it be amended here. I thought we could in conference. But if it is the desire of the Senator to amend it now, all right.

Mr. HATHAWAY. We may have a problem in conference explaining it. We will not have a problem knocking out words and phrases. Perhaps we should expand it here, and if we decide in conference to limit it, we will be able to.

Mr. PACKWOOD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. CULVER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CULVER. Mr. President, I believe that we have the amendment as amended now understood, and I wonder whether the clerk would read it.

The PRESIDING OFFICER. The modified amendment will be read.

The assistant legislative clerk read as follows:

On page 69, after line 15 add the following:
SEC. 13. Economic and Technical Assistance. Section 123 (relating to miscellaneous provisions) is amended by adding at the end thereof the following new subsection:

"(d) ECONOMIC AND TECHNICAL ASSISTANCE.—The Secretary, acting through the Director of the Office of Revenue Sharing, and utilizing other appropriate resources, shall, on request, make available to State and local units of government the economic and technical assistance necessary to encourage, develop, and implement long-range planning capabilities in the allocation and expenditure of Federal revenue sharing funds."

The PRESIDING OFFICER. The amendment is so modified.

The question is on agreeing to the amendment, as modified.

The amendment, as modified, was agreed to.

Mr. CULVER. Mr. President, I express my appreciation to the floor manager of the bill, the Senator from Maine (Mr. HATHAWAY), and to the Senator from Oregon (Mr. PACKWOOD) for their consideration and cooperation on this amendment.

Mr. HATHAWAY. I thank the Senator.

Mr. PACKWOOD. I thank the Senator.

Mr. HATHAWAY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GLENN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 455

Mr. GLENN. Mr. President, I call up my unprinted amendment which is at the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Ohio (Mr. GLENN) proposes unprinted amendment No. 455.

On page 55, after line 8, insert the following: "For purposes of this section, 'compliance' by a government may include the satisfying of a requirement of the payment of restitution to persons injured by the failure of such government to comply with subsection (a)."

Mr. GLENN. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

My amendment deals with the civil rights aspects of general revenue sharing. The amendment seeks to strengthen civil rights protections and enforcement by providing a clear administrative deterrent to discriminatory activity. The amendment specifically spells out one of the remedies that may be sought by the Secretary of Treasury in reaching a compliance agreement with recipients who have been engaged in discriminatory activity. It provides that the Secretary may seek to have a party that has discriminated in the past, pay restitution to injured parties.

Mr. President, this is a traditional legal remedy at equity, that the amendment spells out, as available at the admin-

istrative level to the Secretary of the Treasury in reaching compliance. It is also an available remedy in title VII enforcement proceedings with respect to employment. Restitution is often expressed in the civil rights area in terms of awards of back pay to victims of job discrimination. My amendment makes it clear that this very same restitution principle applies with respect to revenue sharing not only in instances of employment discrimination but to service activities that could be funded from revenue sharing. Basically, my amendment allows the Secretary to condition the resumption of revenue-sharing funds in a case where discrimination has been found and where funds have been suspended, upon a requirement that the recipient "make whole" those who have been the victims of discrimination.

Specifically, given the unique nature of possibly discriminatory services, this could mean a requirement to pave previously unpaved roads or put in street lights where there were none pursuant to an illegal discriminatory practice. In employment, it might mean a requirement of back pay to aggrieved parties. My point is that with this amendment, the Secretary would have the specific authority to require a recipient that has discriminated to do more than simply stop discriminating from the present moment. That discriminating party may now be required by the Secretary to make past victims of revenue sharing related discrimination whole as part of the agreement to resume revenue sharing payments.

Mr. President, this amendment differs from the one discussed with the managers yesterday that dealt with repayment of funds. I would have been happy with that amendment because the principle that I am driving for is the need to provide a strong administrative deterrent to discrimination. I do not believe that it is enough to say that we will simply stop funding once we find discrimination. We should say that where there has been discrimination that there might be reasonable grounds to require that past victims, be they individuals or neighborhoods, be rectified in some reasonable way.

Mr. President, I have been deeply concerned about civil rights protections in revenue sharing since I entered the Senate.

We have held hearings on this subject in the Intergovernmental Relations Subcommittee of the Government Operations Committee and earlier this year I introduced my own legislation, S. 3173, a bill designed to strengthen the anti-discrimination provisions of the Revenue Sharing Act. This summer, I was successful in adding an amendment to the Treasury Department appropriations bill that would significantly strengthen the civil rights division of the Office of Revenue Sharing's compliance staff.

I cite this history of interest and concern because of my strong feeling that we must make absolutely certain that this massive, 6-year, \$42 billion Federal financial commitment to State and local government also be accompanied by a firm and unswerving commitment to full,

complete and effective civil rights and antidiscrimination protection and enforcement. I am pleased that significant strengthening efforts have already been made in the Senate and House bills and I have supported those efforts wholeheartedly. Given the unique nature of revenue sharing funds with its "no strings" features and the difficulty in tracing funds once they become commingled into the general budgets of recipients, it seems to me that it is absolutely imperative that we place in the law very strong and clear deterrents to discriminatory activity. I believe that my amendment provides for that type of deterrent at the administrative level.

This has been discussed with the floor managers of the bill on both sides of the aisle. I will not call for a record vote on this unless they feel it is necessary. I will be happy to have any comment the floor managers of the bill might wish to make.

Mr. HATHAWAY. Mr. President, I have had an opportunity to look over the amendment; I think it is a good amendment, and I have no objection to it. It is a modification of what the Senator from Ohio had planned, and I think it is a sensible modification. It fits in with the entire civil rights provision very well.

Mr. PACKWOOD. Mr. President, I am in accord. I thank the Senator from Ohio for modifying his amendment of yesterday, which would have required repayment of a great bulk of revenue sharing funds if one particular person was injured. I think that might have been unfair to a whole variety of people unconnected at all with the spending of the money or the injury. But this particular provision as now worded is a normal provision of damages or restitution and equity, and I think it is a very acceptable provision. We are willing to accept it and we do not require a record vote.

Mr. GLENN. I appreciate the comments of the floor managers of the bill.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Ohio.

The amendment was agreed to.

Mr. GLENN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HATHAWAY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. GLENN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HELMS). Without objection, it is so ordered.

UP AMENDMENT NO. 456

Mr. JAVITS. Mr. President, I send an amendment to the desk on behalf of myself and Senator McGovern and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from New York (Mr. JAVITS), for himself and Mr. McGOVERN, proposes an unprinted amendment numbered 456:

At the end of the bill add the following new section:

SEC. —. The second sentence of Section 102 is amended to read as follows:

"In the case of entitlement periods beginning on or after January 1, 1977, such payments shall be made in monthly installments at such times during each month as the Secretary shall determine, except that, where the Secretary determines that the entitlement of a unit of local government to funds under this subtitle will be less than \$4,000, the total payment shall be made not later than five days after the close of the first quarter of such entitlement period."

Mr. JAVITS. Mr. President, the amendment would provide a change in the bill to require monthly payment of revenue sharing to the various jurisdictions—about 24,000 would be involved in this amendment—instead of their being paid at the end of each quarter.

For those jurisdictions that receive less than \$4,000 per entitlement for the year—that is, 9 months to begin with, but for the year—it be paid in one lump sum at the end of the first quarter.

Mr. President, the reason for this amendment starting first with the lower end of the scale is that it simply is very costly to make these small distributions.

Senator SCOTT had an amendment setting a \$2,000 limit yesterday and he withdrew it after making a brief statement about it. But Senator McGOVERN and I believe that is the right course, that it should not have been withdrawn, and that these small jurisdictions getting such a very limited amount of money should be entitled to get their payment in one check.

The whole amount involved in a \$35 billion bill is \$24,900,000. Therefore, it is simply much more efficient, more intelligent, more considerate of these smaller jurisdictions in terms of recipients, to get their money all at once.

As to the larger jurisdictions—24,000—the interest cost of the Federal Government making these payments monthly instead of quarterly, the extra interest cost is \$40 million a year.

Today, Mr. President, what is happening is not that the public is not paying the interest. The public is. It is paying more because these jurisdictions have to borrow against their payments which come at the end of the quarter.

I have specifically ascertained the amount for New York City because this is where, naturally, we are very sensitive to any expense at all. It comes to \$2.5 million a year.

The Federal Government borrows, when it does, taxable money as compared with the local jurisdictions where it is tax free.

Second, they can borrow on much less advantageous terms, paying very much higher interest rates, which costs the Treasury money because it is tax-exempt, and have much more difficulty. Some of them cannot raise any money at all on any interest basis.

It seems that if the Federal Government does wish the States and the localities to participate—and that is the whole matter of revenue sharing—then we

ought to be openhanded with what we are doing. They ought to participate in the best practicable way for their purposes. That is what revenue sharing is all about.

Therefore, this amendment is entirely capable of being paid monthly except that the Treasury simply says, "Well, we will pay at the end of every quarter. That saves the United States interest."

But it does not save the people of the United States interest. They pay it. Indeed, they pay more, and in those jurisdictions which can deal with it a lot less creditably and effectively than can the United States.

Because it is, in the final analysis, de minimus in the size of this bill—which is \$5, \$6, \$7 billion a year—\$40 million—even if it is incurred, and I do not necessarily think it will be.

But this is the Treasury estimate. Even if extra interest is incurred, it will not exceed \$40 to \$45 million.

Mr. President, I yield to my cosponsor. Mr. McGOVERN. Mr. President, first of all I want to say that I thank the Senator from New York for giving a very cogent explanation of this amendment. I will not take the time of the Senate to belabor the point.

This amendment really should be called the common sense amendment because it does, obviously, improve the administration of this program. It does not change the thrust or purpose of the revenue-sharing program, but it meets two categories of communities and cities at a level that is more in line with their needs.

I am especially concerned about the smaller communities. As the Senator from New York has said, we have a number of communities that are receiving less than \$4,000 a year in revenue sharing. It makes no sense at all, with payments of that size, to dribble them out over a year's period of time in payments of several million dollars. It makes it difficult to do anything with the money in a practical way.

What we are talking about here with the second half of this amendment is some 15,000 small communities—15,314 to be exact. They are now receiving less than \$4,000 a year. Instead of getting those payments in little dribbles over a 12-month period, they would be paid in one lump sum early in the year.

I am pleased to join with the Senator from New York in both aspects of this amendment. I hope it will be adopted.

Mr. JAVITS. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered. Mr. HATHAWAY. Mr. President, the committee is opposed to the amendment.

One of the grounds on which we base our opposition is that there are very few other Federal grant-in-aid programs that are not paid on a quarterly basis. Computers are already set up to pay the revenue-sharing sums on this basis.

Another objection is that the interest costs are somewhat higher than those stated by the Senator from New York.

We estimate they would run about \$65 to \$70 million.

The argument that the Senator from New York makes is that the public is going to have to pay the costs anyway. That may apply to certain jurisdictions, maybe New York City and others, but most of the recipients for funds are financing their operations out of current revenues from taxes and do not have to go into the money market and borrow this money. Therefore, they are not imposing an interest charge upon their constituents.

Of course, the final argument is that with respect to the budget cost for fiscal 1977 it would be an increase in excess of \$1 billion.

I would be happy to yield to my colleague from Maine, the chairman of the Budget Committee, to go into that in more detail.

Mr. MUSKIE. Mr. President, I understand the appeal of both facets of this amendment. The upper end of the amendment would not affect my State but the lower end would. It makes a lot of sense.

But, let me point out that the result of this amendment would be to move two-thirds of the fourth quarter payment from the beginning of fiscal year 1978 to the end of fiscal year 1977. The result of that would be to cause a bulge in the budget in 1977 which would bust the ceiling by an estimated \$1 billion. These payments are now made within the first 5 days of the quarter succeeding the quarter for which the payments are provided. It is on that basis that, of course, the budget limitations of revenue-sharing were computed in the first concurrent resolution and the second concurrent resolution. To change the payments now means that the outlay effect in fiscal 1977 would be as I said, \$1 billion higher than is provided by the second concurrent resolution. On that basis I have no choice but to oppose the amendment.

Mr. JAVITS. Mr. President, in answer to Senator Muskie, I would have no objection, either here or in conference to make the plan effective so that it does not interfere with the budget we have adopted for fiscal 1977. I would gladly do it now or await the conference. In other words, to make this plan effective as of the new fiscal year of 1978.

Mr. MUSKIE. I do not know how we can do that for fiscal 1977. It would have to be done in fiscal 1978. The payments are going to begin, I assume, unless I have read this incorrectly, in fiscal 1977. We would have to extend the last quarter payments until the following year.

Mr. JAVITS. Could we make it effective January 1, 1978? That would be all right then, would it not?

Mr. MUSKIE. That would pass the 1977 budget limitations.

Mr. JAVITS. But that would solve the problem; is that correct?

Mr. MUSKIE. It would.

Mr. JAVITS. I have no desire to interfere with the budget resolution.

Mr. President, I ask unanimous consent that I may modify my amendment in accordance with the modification which I send to the desk, to have the date read "January 1, 1978."

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MUSKIE. But your modification would not solve the question of the substantial additional interest costs to the Treasury.

Mr. JAVITS. This does not in any way change anybody's allocations. The allocations remain precisely the same. It is just a question of the time of payment and the convenience and problems which are created for individual jurisdictions.

Senator HATHAWAY and I differ on the amount which is involved. We believe that the amount of \$40 to \$45 million is correct for this reason: We believe the figures the Senator is giving, which are quite bona fide as far as the Senator is concerned, were given in connection with our original amendment. Our original amendment was not the same as this one. It related to the payment at the beginning of the quarter. This amendment relates to monthly payments. On average, the cost to the Treasury is about half. That is why we gave our estimate of \$40 to \$45 million.

In orders of magnitude, of course, in a bill of this kind, whether it is \$45 million or \$65 million, it is not such a big deal. But I did want to make clear that our estimate was valid because we believe the figures which the Senator used were directed to an amendment which I did have and gave notice of but which is not the one that we submitted.

Finally, Mr. President, the aim of revenue sharing is to help the communities. That is the aim of doing it. So why do we play ducks and drakes with them for amounts relative to the whole which are not proportionate to the universe which we are attacking? That is what we are doing. Many of these jurisdictions in my own State, and I think the views of other Senators will bear this out, have to go out and borrow the money. They fully expect to get it but they do have to borrow it. The public is paying anyhow and it is paying more. Hence, the revenue sharing is less effective than it ought to be, and that I feel both Houses intended it should be.

For those reasons, Mr. President, I hope my amendment, as modified, will carry. I am prepared to vote.

Mr. HATHAWAY. Vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as modified, of the Senator from New York. The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

The PRESIDING OFFICER. The Senate will be in order. The clerk is having difficulty hearing the responses of Senators. The Chair asks that the well be cleared, and that staff members take their seats.

The clerk may proceed.

The rollcall was resumed and concluded.

Mr. ROBERT C. BYRD. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Nevada (Mr. CANNON), the Senator from Indiana (Mr. HARTKE), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Minnesota (Mr. MONDALE), the

Senator from Rhode Island (Mr. PELL), the Senator from California (Mr. TUNNEY), and the Senator from Virginia (Mr. HARRY F. BYRD, JR.) are necessarily absent.

I further announce that the Senator from Hawaii (Mr. INOUE) is absent on official business.

Mr. GRIFFIN. I announce that the Senator from Maryland (Mr. BEALL), the Senator from Tennessee (Mr. BROCK), the Senator from New York (Mr. BUCKLEY), the Senator from Kansas (Mr. DOLE), the Senator from Nevada (Mr. LAXALT), and the Senator from Ohio (Mr. TAFT) are necessarily absent.

The result was announced—yeas 28, nays 57, as follows:

[Rollcall Vote No. 589 Leg.]

YEAS—28

Bayh	Griffin	Ribicoff
Biden	Hart, Gary	Roth
Brooke	Hart, Philip A.	Schweiker
Bumpers	Hatfield	Scott, Hugh
Case	Javits	Stevens
Chiles	Mathias	Stone
Cranston	McClure	Weicker
Domenici	McGovern	Williams
Durkin	Pastore	
Garn	Percy	

NAYS—57

Allen	Haskell	Muskie
Baker	Hathaway	Nelson
Bartlett	Helms	Nunn
Bellmon	Hollings	Packwood
Bentsen	Hruska	Pearson
Burdick	Huddleston	Proxmire
Byrd, Robert C.	Humphrey	Randolph
Church	Jackson	Scott,
Clark	Johnston	William L.
Culver	Leahy	Sparkman
Curtis	Long	Stafford
Eagleton	Magnuson	Stennis
Eastland	Mansfield	Stevenson
Fannin	McClellan	Symington
Fong	McGee	Talmadge
Ford	McIntyre	Thurmond
Glenn	Metcalfe	Tower
Goldwater	Montoya	Young
Gravel	Morgan	
Hansen	Moss	

NOT VOTING—15

Abourezk	Cannon	Mondale
Beall	Dole	Pell
Brock	Hartke	Taft
Buckley	Inouye	Tunney
Byrd,	Kennedy	
Harry F., Jr.	Laxalt	

So Mr. JAVITS' amendment, as modified, was rejected.

Mr. HATHAWAY. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. PACKWOOD. I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, if I may have the attention of Senators I will give the Senate some idea as to the schedule.

The PRESIDING OFFICER. Let the Chair have order in the Senate.

The Senator may proceed.

UNANIMOUS-CONSENT REQUEST

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when either Calendar No. 1054, H.R. 8401, or Calendar No. 853, S. 2053, the so-called nuclear assurance bill, is brought before the

Senate, debate be limited as follows: 8 hours on the bill, 2 hours on any amendment, 1 hour on any amendment to an amendment or on any debatable motion or appeal, and that the agreement be in the usual form.

The PRESIDING OFFICER. Is there objection?

Mr. CLARK. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. GLENN. Mr. President, reserving the right to object, this is the whole nuclear fuel package; is that correct?

Mr. MANSFIELD. That is correct.

Mr. GLENN. I object to the time limit on that, Mr. President.

Mr. DURKIN. I object.

The PRESIDING OFFICER. Objection is heard.

STATE AND LOCAL FISCAL ASSISTANCE AMENDMENTS OF 1976

The Senate continued with the consideration of the bill (H.R. 13367) to extend and amend the State and Local Fiscal Assistance Act of 1972, and for other purposes.

Mr. MANSFIELD. Mr. President, I understand we have one amendment by the distinguished senior Senator from South Dakota (Mr. MCGOVERN), and then final passage, if all things work according to Hoyle.

Mr. MCGOVERN. Mine will take 4 or 5 minutes.

TIME LIMITATION AGREEMENT

Mr. MANSFIELD. I ask unanimous consent that debate on the McGovern amendment, which I understand is a variation of the Javits amendment, be limited to 10 minutes, 5 minutes to a side.

Mr. HATHAWAY. That is fine.

The PRESIDING OFFICER. Without objection it is so ordered.

ORDER FOR CONSIDERATION OF S. 3664

Mr. MANSFIELD. Mr. President, I ask unanimous consent that, after the pending business is disposed of, the Senate then turn to the consideration of Calendar No. 973, S. 3664, a bill to amend the Securities and Exchange Act of 1934 to require issuers of securities registered pursuant to section 12 of such act to maintain accurate records, to prohibit certain bribes, and for other purposes. That is to be laid before the Senate and made the pending business.

The PRESIDING OFFICER. Is there objection?

Mr. GRIFFIN. Mr. President, reserving the right to object, and I shall not object, of course, I wonder if the majority leader expects that we will be in session at least until 5 p.m. today and thereafter, probably after that.

Mr. MANSFIELD. Yes.

Mr. GRIFFIN. The reason I am asking is because there are two of our colleagues who will be back by 5 p.m. and wish to vote on final passage of the Revenue Sharing Act.

Mr. MANSFIELD. We can make arrangements.

Mr. JAVITS. Mr. President, there is one of our colleagues who has to vote in a primary, and he has been waiting for this vote.

Mr. GRIFFIN. That is what I am trying to determine. I am trying to determine whether it is going to inconvenience anyone else.

Mr. MOSS. Yes. It will inconvenience me. I have an airplane to meet.

Mr. GRIFFIN. In that case, I shall have to explain to our two colleagues who will miss the vote.

Mr. MANSFIELD. The Senator cannot win.

Mr. GRIFFIN. That is right.

The PRESIDING OFFICER. Without objection, it is so ordered.

STATE AND LOCAL FISCAL ASSISTANCE AMENDMENTS OF 1976

The Senate continued with the consideration of the bill (H.R. 13367) to extend and amend the State and Local Fiscal Assistance Act of 1972, and for other purposes.

The PRESIDING OFFICER. The bill is open to further amendment.

UP AMENDMENT NO. 457

Mr. McGOVERN. Mr. President, I have an amendment at the desk which I offer on behalf of myself, the Senator from New York (Mr. JAVITS), and the Senator from South Carolina (Mr. THURMOND) and I ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from South Dakota (Mr. McGOVERN), for himself and Mr. JAVITS and Mr. THURMOND proposes an amendment.

At the end of the bill add the following new section:

SEC. —. The second sentence of Section 102 is amended to strike the period at the end and add the following: except that, when the Secretary determines that the entitlement of a unit of local government to funds under this subtitle will be less than \$4,000, the total payment shall be made not later than five days after the close of the first quarter of such entitlement period."

Mr. McGOVERN. Mr. President, this amendment has the effect of picking up the second half of the amendment just offered by the Senator from New York and myself which relates to those small communities across the country that receive less than \$4,000 in Federal revenue sharing and in some cases there are communities that receive only a few hundred dollars in the course of a year.

What the amendment will do is provide that in those cases involving some 15,000 small communities, those payments running less than \$4,000 a year be made in one lump sum in the first quarter of the year. It is clear to me that the amendment that the Senator from New York and I offered a moment ago was rejected because it would have a substantial budget impact. This amendment would not.

I have talked to the Senator from Maine (Mr. MUSKIE) about it. We are only talking about a total payment to all these communities, over a year's time, of some \$24.9 million out of a bill of approximately \$6 billion. So, while it involves

a great many small communities, it involves a very small amount of money.

It does not increase the amount of money those communities receive. It simply acts on the commonsense notion that, instead of dribbling out small payments of a few hundred dollars over a year's time, it would be set up for the Treasury to make those payments in a single lump sum at the beginning of the year.

I cannot anticipate any logical reason against this change in the administration of the law, and I am hopeful, in view of its almost insignificant impact on the budget, that it will be accepted.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. McGOVERN. I yield.

Mr. JAVITS. Mr. President, I am grateful to the Senator for two reasons: One, he allows me to qualify as a small town city as well as a big city Senator by joining in this amendment. Not too many people realize how many small towns and individual jurisdictions we have in a big State like mine.

Second, I think this is the very epitome of trying to be efficient and intelligent about how we handle business here. I join the Senator in understanding why some Members may have felt that they could not vote for the other amendment, but there is no such basic reason respecting this amendment, and I hope very much that it will be accepted.

Mr. NELSON. Mr. President, will the Senator yield?

Mr. McGOVERN. I yield.

Mr. NELSON. Just so I have the statistics correct, it is my understanding that, as of now, there are 39,000 jurisdictions—States and municipalities—receiving revenue sharing. Is my understanding correct that if all municipalities receiving \$4,000 or less are separated out, that would be a total of some 15,000 municipalities?

Mr. McGOVERN. Yes, the Senator is correct. The exact figure is 15,314 communities that would be affected. These are the ones that receive \$4,000 or less in a year's time.

Mr. NELSON. So that they would receive a check once a year instead of four times a year?

Mr. McGOVERN. That is correct. The saving in postage alone would almost pay for any additional cost.

Mr. THURMOND. Mr. President, will the Senator yield?

Mr. McGOVERN. I yield.

Mr. THURMOND. Mr. President, I commend the distinguished Senator from South Dakota for offering this amendment. This amendment should save the Government money, and it certainly will help the little towns that receive less than \$4,000 a year.

What is the use of dividing that money over four different quarters when they can get \$4,000 at one time and go forward with some kind of project in which they are interested?

I hope the amendment is agreed to.

Mr. McGOVERN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. McGOVERN. Mr. President, I yield back the remainder of my time.

Mr. PACKWOOD. Mr. President, will the Senator yield me 2 minutes?

Mr. HATHAWAY. I yield.

Mr. PACKWOOD. Mr. President, I oppose this amendment. It is very similar to the amendment of the distinguished Senator from Pennsylvania (Mr. HUGH SCOTT) which was offered yesterday, except that he had a \$2,000 figure.

Two things are wrong with this amendment. One, it is going to cost the Treasury some slight interest because of the advancement of payments, but admittedly not significant as the previous amendment offered. Two, because we are going to have to refigure as we do these \$4,000 figures each year, it means we will have to be reorganizing the computers to decide each year which towns are paid at the end of a quarter and which at the end of a year.

I think we are starting a bad precedent. If the Senate had wanted to extend an additional \$10 million, \$20 million, \$30 million, or \$40 million in revenue, we would have done so in the bill.

Mr. LONG. Mr. President, will the Senator yield?

Mr. PACKWOOD. I yield.

Mr. LONG. What logical basis can one offer to say that the line will be drawn at \$4,000 and not \$5,000 or \$10,000; and then if it is \$10,000, why not \$20,000; and if it is \$20,000, why not \$21,000; and if it is \$21,000, why not \$25,000? So if you just go ahead and pay it out to all these governments early in the year, you wind up with the Government having a serious cash flow problem.

Mr. PACKWOOD. I think we are starting down the road of expanding it. I thought it was a bad precedent at \$2,000 yesterday, and in 1 day we have gone from \$2,000 to \$4,000. It is a good thing we are not meeting much longer.

Mr. LONG. How can we say at one point that some community should be given one lump sum payment and at some particular point it crosses the line into those less favored, that get paid quarterly?

Mr. PACKWOOD. You have to figure your administrative costs each year, because you have to reprogram it to pay at the end of the quarter or the end of the year.

Mr. LONG. Meanwhile, the next year, the revenue sharing goes up somewhat; so instead of the town getting the lump sum payment, the town gets a check for only one-quarter of that amount, and the people cannot understand what happened.

Mr. PACKWOOD. That is right.

Mr. HATHAWAY. Not only is it true in the revenue-sharing program, but also, it opens the door with reference to the grant-in-aid programs. There is no reason to deny them the same treatment.

Under the present law, the Secretary of the Treasury does have authority, on a quarterly basis, to vary the amounts that he can pay out. So that he can do, in effect, almost what the Senator from South Dakota is trying to achieve by his amendment.

There is no logic whatever to drawing

the line at \$4,000. As has been pointed out, it is going to change around the entire computer setup, which is already set up to pay out on a quarterly basis. There does not seem to be any sound, rational basis for giving certain towns one treatment and others another. I think we should stick with the committee bill, which has been the law for the last 5 years, and should continue to pay all jurisdictions on the quarterly basis.

The PRESIDING OFFICER. All time has expired.

Mr. JAVITS. Mr. President, is there a time limit on this amendment?

The PRESIDING OFFICER. There is a time limit, and all time has expired.

Mr. JAVITS. Mr. President, may I have 2 minutes and the other side have 2 minutes? I ask unanimous consent.

Mr. LONG. I object, Mr. President.

The PRESIDING OFFICER. Objection is heard.

The question is on agreeing to the amendment of the Senator from South Dakota. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Virginia (Mr. HARRY F. BYRD, JR.), the Senator from Nevada (Mr. CANNON), the Senator from Indiana (Mr. HARTKE), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Minnesota (Mr. MONDALE), the Senator from Rhode Island (Mr. PELL), and the Senator from California (Mr. TUNNEY), are necessarily absent.

I further announce that the Senator from Hawaii (Mr. INOUE) is absent on official business.

Mr. GRIFFIN. I announce that the Senator from Maryland (Mr. BEALL), the Senator from Tennessee (Mr. BROCK), the Senator from New York (Mr. BUCKLEY), the Senator from Kansas (Mr. DOLE), and the Senator from Ohio (Mr. TAFT) are necessarily absent.

The result was announced—yeas 56, nays 30, as follows:

[Rollcall Vote No. 590 Leg.]

YEAS—56

Baker	Gravel	McIntyre
Bayh	Grieff	Metcalf
Bentsen	Hart, Gary	Montoya
Biden	Hart, Philip A.	Nelson
Brooke	Haskell	Pastore
Bumpers	Hatfield	Pearson
Burdick	Hollings	Percy
Byrd, Robert C.	Hruska	Roth
Case	Huddleston	Schweiker
Chiles	Humphrey	Scott, Hugh
Church	Jackson	Stafford
Clark	Javits	Stevens
Cranston	Leahy	Stone
Culver	Magnuson	Symington
Domenici	Mansfield	Thurmond
Durkin	Mathias	Weicker
Eagleton	McClure	Williams
Ford	McGee	Young
Garn	McGovern	

NAYS—30

Allen	Helms	Randolph
Bartlett	Johnston	Ribicoff
Bellmon	Laxalt	Scott,
Curtis	Long	William L.
Eastland	McClellan	Sparkman
Fannin	Morgan	Stennis
Fong	Moss	Stevenson
Glenn	Muskie	Talmadge
Goldwater	Nunn	Tower
Hansen	Packwood	
Hathaway	Proxmire	

NOT VOTING—14

Abourezk	Cannon	Fell
Beall	Dole	Taft
Brock	Hartke	Tunney
Buckley	Inouye	
Byrd,	Kennedy	
Harry F., Jr.	Mondale	

So Mr. McGOVERN's amendment was agreed to.

Mr. JAVITS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. McGOVERN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WILLIAMS. Mr. President, I wish to express my support for H.R. 13367, the State and Local Fiscal Assistance Act of 1976 which would reauthorize the revenue sharing program. Since its enactment in 1972, revenue sharing has become of crucial importance to our State and local governments, assuring them of a continuous flow of funds for the establishment, maintenance, and improvement of essential public services and programs. The program, which expires on December 31, 1976, has proven to be a central feature of State and local government budgets, and unless we reauthorize it, the fiscal health of these governments may be seriously impaired.

When Congress first approved revenue sharing, it was designed to accomplish several objectives. Its primary purpose was to redirect the flow of power and responsibility from Washington back to the State and local levels of government. Thus, Congress allowed wide latitude in the expenditure of revenue sharing funds so that these units of government would have greater opportunities to determine their own needs and priorities and to decide for themselves the best means of meeting them.

A second goal was to channel badly needed funds to State and local governments. In recent years, many of these governments have found that demands for services have outstripped their ability to raise revenues to support them. For example, State spending in fiscal year 1975 rose by 18.5 percent while revenues increased by only 9.8 percent. Without revenue sharing this gap would widen considerably. By the end of this year, \$30.2 billion will have been distributed to about 39,000 units of State and local government.

Third, it was hoped that the program's dependence on Federal income tax revenues would shift the emphasis away from the need to rely on property and sales taxes to finance community services and projects. Many localities now use their revenue sharing funds to support regular services that would have otherwise required heavier local taxes to maintain.

Still another purpose was to insure that even smaller governments which often experience difficulty in obtaining Federal funds, could benefit from the program. This was accomplished through the automatic allocation of revenue sharing funds. Automatic entitlements have also facilitated local and State governments in the development of their budgets and in their long-range planning.

As reported by the Senate Finance Committee, H.R. 13367 would continue

these important objectives. The legislation would also make a number of changes in the program that experience has shown us are necessary to improve the program's operation and administration.

The legislation would continue the revenue sharing program for another 5½ years and would provide an entitlement for fiscal year 1977 of \$6.65 billion to be increased each year thereafter by \$200 million to account for inflation. For New Jersey this would mean about \$1 billion in revenue sharing funds by the end of fiscal year 1982.

Except for a few minor change, H.R. 13367 retains the present method of computing entitlements. States may now choose whichever of two formulas gives them the most money—a three factor formula which combines population, general tax effort, and per capita income, urban population, and State income tax. The State governments keep one-third of the entitlement, with the rest going to the counties and municipalities. The money is apportioned to counties, cities, and towns using a formula based on population, general tax effort, and per capita income. No locality may receive less than 20 percent of a State's average per capita entitlement, nor more than 145 percent of a State's average per capita entitlement. An important provision also retained by H.R. 13367 requires that prevailing wage rates must be paid to all laborers and skilled workers when 25 percent of a construction project's costs—in projects costing \$2,000 or more—are paid from revenue sharing funds.

H.R. 13367 would also eliminate two major restrictions on the use of revenue sharing entitlements. Present law prohibits entitlements from going to secure matching Federal grants. Many localities have felt that such a restriction inhibits local decisionmaking. Present law also requires operating and maintenance expenditures to fall within eight priority categories. H.R. 13367 would eliminate these eight categories.

As reported from committee, the legislation also tightens antidiscrimination provisions, encourages greater citizen participation in local decisions on the use of entitlements, and revises the reporting as well as the auditing and accounting procedures.

Through June 30, 1976, the State government of New Jersey together with about 650 units of local government had received more than \$839 million in revenue sharing funds since the program was enacted in 1972. This infusion of funds has been of significant benefit to New Jersey, enabling the recipient governments to undertake projects and finance services that once were beyond their capability. New Jersey communities of all sizes have ably demonstrated their ability to use their allocations wisely and intelligently. For example, municipalities in Morris County, N.J., have used their entitlements to make important capital improvements and to defray the costs of providing a broad range of services, particularly public safety, public transportation, environmental protection, and recreation.

The city of Elizabeth has used its allocation to improve local health services,

to pay the operating expenses of its public safety program, and to provide additional recreation facilities. The little borough of Woodstown has supported a child care center with a portion of its revenue sharing entitlement.

The revenue sharing program has been an enormous force for good in New Jersey, and I am confident that the same can be said of its impact on other States. It has improved the quality of local government, and thereby has improved the quality of community life. It has shortened the distance between people and the units of government that answer their needs, and it has allowed citizens to have a greater voice in the government decisions which affect them. It has created new job opportunities and it has broadened the range of public services available to our people. I am hopeful that my colleagues will join with me in supporting the extension of the revenue sharing program so that the benefits it provides may be continued.

Mr. THURMOND. Mr. President, I rise in support of H.R. 13367, the revenue sharing extension bill. Revenue sharing is one of the most responsible and responsive legislative measures adopted in the past decade. It would be futile to attempt to list all the benefits made available to the citizenry through the application of the funds. However, to demonstrate how beneficial and worthwhile I believe this program is, I would like to call to the attention of my colleagues the following facts relative to my home State of South Carolina:

Revenue sharing funds received by South Carolina and her local governments through June 30, 1976

Unit	Number of units	Amount received
The State-----	1	\$124,998,943
Counties-----	46	129,961,601
Municipalities-----	236	114,019,761
Totals-----	310	368,979,305

As of June 30, 1976, the 46 counties and 236 municipalities in South Carolina have received almost \$244 million in revenue sharing funds. The State itself has received nearly \$125 million.

These funds have made possible great advancements, chiefly in the areas of public safety, environmental protection, and public transportation. Nearly one-half of the funds expended have gone toward capital improvements.

Mr. President, at the request of the chairman of the Subcommittee on Intergovernmental Relations of the Senate Committee on Government Operations, the General Accounting Office conducted case studies on general revenue sharing at 26 selected local governments throughout the country. One of the towns selected was Woodruff, S.C.

The GAO report indicates that approximately one-half of these funds were spent on much-needed capital improvements. Fire department equipment was purchased. A traffic signal system was installed. Additions to the street and sanitation equipment were made possible. Police department cars were bought.

Additions were made to recreational facilities, and furnishings for a new public library were purchased. Most, if not all, of these improvements would have been impossible without revenue sharing.

Mr. President, I have always maintained that local governments should play a greater part in the role of Government. Revenue sharing makes it possible for decisions greatly affecting the welfare of the people of this country to be made on the local level. The revenue sharing extension bill would continue this most valuable program—a program which has been called the most successful Federal program of the century. I shall vote for the bill, and urge my colleagues to do likewise.

Mr. MUSKIE. Mr. President, the bill pending before the Senate would extend and amend the State and Local Fiscal Assistance Act of 1972 which established the general revenue sharing program. That program has authorized the return of \$30.2 billion in funds to State and local governments, and will expire at the end of this calendar year unless it is extended.

I am and have been a strong supporter of revenue sharing. I consider it the cornerstone in meeting the needs of local governments. I support the extension of the revenue sharing program.

Today, 5 years after its enactment, general revenue sharing has proven to be a shot in the arm for our federal system of government. Throughout the country, revenue sharing funds have provided for useful, needed community projects—chosen by local officials, on the basis of local priorities.

These days, just about everything the Federal Government does is very complicated. Most of Federal programs which provide aid of one sort or another to State and local governments involve lengthy application processes and stringent rules and regulations as to how the money must be spent. Local officials in Maine are forever providing me with examples of how Federal programs are administrative nightmares for them.

In the midst of all this confusion, revenue sharing stands out as the beleaguered State or local official's dream program.

Revenue sharing also has had the healthy side effect of providing balance to a Federal grant-in-aid structure which, over the last decade, has become increasingly oriented toward narrow programmatic goals with ever greater control by Washington.

By its very existence, revenue sharing is testimony to our recognition that the integrity of our federal system demands greater State and local control over the determination of local spending priorities.

I know that people in Maine welcome this recognition that we in Washington do not always know what is best for them. And I am sure that communities in every other State feel the same.

As chairman of the Senate Budget Committee I would like to comment on the budget implications of this bill.

The general revenue sharing level for fiscal 1976 was \$6,355 million in budget

authority. The soon-to-expire program has provided increases in revenue sharing payments of \$150 million per year beginning in fiscal 1974. Under existing law, the program level for the transition quarter and the first quarter of fiscal 1977 is about \$75 million in budget authority above the fourth quarter level for fiscal 1976.

The President has proposed to extend the general revenue sharing program for 5½ years. He proposes \$6,542 million for fiscal 1977—an increase of \$187 million above the fiscal 1976 level. Because of the timing factors involved in extending the program, however, the President's proposal would result in lower payments in the last three quarters of fiscal 1977 than in the first quarter.

The Senate Finance Committee amended version of H.R. 13367 would extend general revenue sharing for 5½ years and it would provide \$6.65 billion in budget authority for fiscal 1977. This amount is about \$110 million above the President's request.

How do these amounts relate to the congressional budget?

The Senate Budget Committee in its markup of the second budget resolution assumed in its recommended ceiling \$6.65 billion in budget authority, or about \$110 million above the first budget resolution assumptions. The Senate Budget Committee increased the ceiling to prevent the reduction that would otherwise occur in the last three quarters of fiscal 1977 under the President's budget request.

So I am pleased that Senator Long for the Finance Committee proposed and the Senate adopted yesterday an amendment to set the fiscal year 1977 revenue sharing level at \$6.65 billion, the level assumed in the second budget resolution and provided in the House-passed bill.

I am also pleased that Senator Long's amendment, while it provides about \$1.2 billion more in budget authority than the House-passed bill for fiscal years 1978, 1979, and 1980, is still about \$450 million less in budget authority than the Finance Committee reported bill for those fiscal years. The Long amendment makes a total reduction of about \$750 million when compared with the Finance Committee reported bill for all fiscal years.

With three-fourths of Federal spending locked into place before each fiscal year begins, I am always hesitant to increase those uncontrollable commitments, as this amendment still does. However, I feel some increase in later years is needed, and since the House-passed bill provides none, the Senate does need some leverage for negotiation with the House. Given the efforts of the Finance Committee to comply with the spending ceilings in the second budget resolution, and given the likelihood of some reduction in the later year increases, I believe the bill that will emerge from conference will have reasonable revenue sharing budget levels.

What I am saying is that we can pass a general revenue sharing bill with funds at the level proposed in this amendment, stay within the tight ceilings of the second budget resolution, and not exceed the deficit set out in the resolution.

There was another matter in the committee-reported bill which concerned me. As reported, the bill contained an authorization for appropriations for fiscal 1977 for the establishment of a National Commission on Revenue Sharing and Federalism. That authorization was in violation of the May 15 reporting date of section 402 of the Budget Act because it became effective on February 1, 1977. Moreover, the bill established a new commission to do a study which could well be done by the Advisory Commission on Intergovernmental Relations with funds already authorized. That problem has now been corrected by the amendment which Senator HATHAWAY and I offered and which has now been adopted.

Mr. President, this amendment provides some \$300 million more for general revenue sharing in fiscal 1977 than State and local governments received in fiscal 1976, and that is all that can be realistically provided under the ceilings of the second budget resolution. As a strong supporter of the general revenue sharing program, I personally would like to see more money provided to State and local governments, but I am unwilling to raise the deficit of the second budget resolution.

Mr. BAYH. Mr. President, the Senate today is considering legislation to grant a 5½-year extension of revenue sharing. Without passage of this vital measure, the revenue sharing program would end as of December 31, 1976.

Our Federal system suffers from a vertical fiscal imbalance which has been intensified by our recent economic problems. As things presently stand, the Federal Government has a greater ability than local governments to raise revenue progressively through the Federal income tax. State and local governments, on the other hand, are faced with a limited tax base, increased demands for service, and soaring costs. The revenue sharing program was designed to help ease the problem of fiscal imbalance and since its inception in 1972, it has had much success.

The legislation being considered today authorizes nearly \$42 billion in entitlements until September 30, 1982. The amount available each year, under the Senate formula, is increased by \$150 million to try to meet expected inflation. By knowing the amount of money available for the next 5½ years, State and local governments can make long-term commitments to make the best possible use of their share of the entitlement.

This is particularly important due to the decrease in funding of Federal categorical grant programs. State and local governments are increasingly using their entitlements from revenue sharing to maintain the level of services in programs which used to be federally funded.

In Indiana, which has received \$560,957,468 in revenue sharing moneys since 1972, these funds are used to support such varied programs and services as the purchase of fire and safety equipment, construction of new storm sewers, obtaining new library books, and instituting programs for senior citizens. All of these programs have come to rely on

revenue sharing funds to fulfill vital local needs with a minimum of Federal regulation and redtape.

The legislation considered by the Senate takes some important steps to insure increased and more effective citizen participation at the local level in determining what projects will be supported by revenue sharing funds. Under the Senate legislation if a local government does not have its own hearing requirements, they will have to hold at least one hearing on proposed use 7 days prior to adoption of the budget. These hearings must take place at a time and location convenient for public attendance.

In addition, this measure strengthens and emphasizes the nondiscrimination aspects of the original revenue sharing law. While there were nondiscrimination provisions in the law, there has been much evidence that these provisions were unevenly enforced and in many cases there was no effective enforcement.

The Senate bill helps to clarify that not only can there be no discrimination on the basis of race, color, national origin, or sex in programs directly funded by revenue sharing but also there can be no discrimination in programs indirectly benefiting from revenue sharing moneys. For example, a State or local government cannot use revenue sharing funds for programs or services which are nondiscriminatory and then turn around and use its own freed-up funds to support discriminatory programs.

In amendments adopted on the floor, which I supported, the Senate included religion, age, and condition of handicap in the categories covered by the nondiscrimination provisions of the revenue sharing program.

While local and State governments should continue to have broad discretion in the use of their entitlements, the Federal Government cannot allow the use of its funds for programs which, directly or indirectly, continue historic patterns of discrimination.

I strongly support the continuation of the revenue sharing program and hope that final conference action will take place in the near future so that our State and local governments can begin to plan for the effective use of their entitlements for the next 5 years.

Mr. CULVER. Mr. President, I wish to express my support for extension of the general revenue sharing program. During the years that I served as a Member of the House of Representatives, and since the enactment of the State and Local Assistance Act of 1972, I have strongly supported the concept of general revenue sharing. I believe that it has become an invaluable source of supplemental funding for State and local governments.

The program's basic purpose is to provide an opportunity for communities to deal with problems at the local level with a measure of flexibility vital to sound governmental decisionmaking. The plain fact is that not all wisdom resides in Washington. And in particular, we in Iowa know the problems of our communities and how to go about solving them better than do the bureaucrats thousands of miles away. Revenue sharing funds

enable State and local governments to better define and meet their own priorities, in combination with their own resources.

General revenue sharing was established under authority of the State and Local Fiscal Assistance Act of 1972. This legislation authorized the distribution of \$30.2 billion in Federal revenues derived from individual income tax receipts, among qualifying State and local units of government. The program has been in effect for 3 years; through April 1975, quarterly payments of \$18.9 billion have been disbursed by the Treasury Department to over 38,000 State and local units of government in the 50 States and the District of Columbia.

The Fiscal Assistance Amendments Act of 1976, which is due to expire December 31, extends the highly successful State and Local Assistance Act of 1972 for 5½ additional years. This extension is essential if we are to allow government units to plan their budgets effectively.

Mr. President, general revenue sharing is one of the largest and most extensive of all domestic aid programs. It constitutes 10 percent of all current yearly expenditures for domestic grants-in-aid. Under a complex formula based on the multiplication of population, tax effort, and inverse per capita income, funds are channeled to units of government ranging in size from States and big cities to thousands of townships. Across the Nation, approximately 36 percent of the revenue sharing dollars are being used for capital expenditures. Approximately 24 percent of the funds are used in public safety and 13 percent in public transportation. An additional 22 percent are used in education and 5 percent for other community services.

In my own State of Iowa, for each of the past 2 years, we have received an average of \$84 million in general revenue sharing funds to aid 1,043 units of government. For instance, Mr. President, these funds have allowed Sioux Center, Iowa, to maintain and extend paved streets, upgrade and expand airport facilities, and most recently, to purchase the old high school building for use as a community center. Marengo, Iowa, has been able to replace and repair secondary roads, obtain a public health nurse, and provide transportation for the elderly with the help of revenue sharing dollars. In Webster City, Iowa, aided by revenue sharing funds, a Federal bridge inspection was conducted on the county bridges, and a new courthouse was constructed.

I was especially impressed by the testimony given to the House Subcommittee on Government Operations by Ms. Lynn Cutler, the Chairperson of the Blackhawk County Board of Supervisors in Waterloo, Iowa. Ms. Cutler gave examples of how revenue sharing funds were used in her county to fund imaginative programs to meet human needs. These included construction of day care centers, providing portal to portal transportation for the elderly, aid to the Council on Alcoholism, and mental health assistance.

Revenue sharing funds have enabled

Iowans to have a better and more responsive government by absorbing welfare costs from local governments which can ill afford them; by decreasing or even eliminating personal property taxes through the provisions of real property tax credits for the elderly which permit them to retain ownership of their homes; and by removing the regressive sales tax on food and drugs.

Statewide, revenue sharing funds have gone to aid public transportation—22 percent, education—36 percent, public safety—13 percent, environmental protection—4 percent, health—4 percent, and other community development—21 percent.

Mr. President, I have cited only a few examples of how revenue sharing funds have aided the communities of Iowa. But Iowa is not the only State to receive benefits from general revenue sharing funding. According to a 1974 study compiled by the Library of Congress, Governors indicate that because of revenue sharing, 60 percent of the States were able to avoid new taxes. At the local government level, officials report that general revenue sharing receipts had enabled 35 percent of local units to prevent new taxes, while 34 percent reported the local taxes had been kept at prior levels. A significant number, 27 percent, report that general revenue sharing moneys had prevented imposition of new taxes.

General revenue sharing has enabled many State and local governments to avoid further additions to their burden of debt. 84 percent of State and local governments report that funds enabled them to avoid incurring new indebtedness, or reduced the level of new indebtedness.

The country's present economic plight makes continuation of this program imperative. Over the past 2½ years, the Nation has suffered the worst recession since the Great Depression. Not only the private sector has been adversely affected; the public sector has suffered as well. Rapidly rising service costs coupled with sluggish or declining tax bases have forced State and local governments to choose between increased taxes or reduced services. Spending in the States grew in 1975 by 18.2 percent while revenues grew by only 9.8 percent. The revenue sharing funds distributed over the past 3 years have helped States and communities maintain vital public services and restrained the growth of crushing tax burdens such as property and sales taxes which fall particularly hard on low income families and the elderly.

If revenue sharing payments are reduced or terminated, the adverse impacts on State and local governments would be severe, and efforts to stabilize the economy would be dealt a serious blow.

I am especially pleased that the Senate today adopted my two amendments to H.R. 13367 which I feel greatly strengthens the bill.

My first amendment directs the Secretary of the Treasury to provide upon request economic and technical assistance to State and local governments in order to help them develop and implement a long-range planning capacity in their expenditures of revenue sharing

funds. Such a capacity would make a valuable contribution to the Government's ability to respond to the needs and desires of its citizens.

My second amendment addresses two questions that are to be examined by a revenue sharing and federalism study provided for in the bill. The first question to be addressed is the short term and long term forces affecting the nature of federalism in the United States and how these forces will influence revenue sharing in the future. The second question which the study should examine is the process by which State and local governments make decisions in the allocation of revenue sharing funds. Careful consideration of these two areas by the study will contribute to our understanding of revenue sharing in the Federal system and to our ability to make revenue sharing work as effectively as possible.

Mr. President, in my judgment, general revenue sharing is one innovation of government that has proven its worth as a constructive and cohesive element in our Federal-State-local system. The bill to extend it is a vital contribution to the strength of our State and local governments and I hope the Senate will act quickly and affirmatively on it.

Mr. LONG. Mr. President, might we just vote on final passage. I ask for the yeas and nays on final passage.

The PRESIDING OFFICER (Mr. HANSEN). Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. If there are no further amendments, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed for a third reading and the bill to be read the third time. The bill was read a third time.

The PRESIDING OFFICER. The question is, Shall the bill pass? The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CURTIS (when his name was called). Mr. President, on this vote I have a pair with the distinguished Senator from Ohio (Mr. TAFT). If he were present and voting, he would vote "yea." If I were permitted to vote, I would vote "nay." I, therefore, withhold my vote.

Mr. ROBERT C. BYRD. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Virginia (Mr. HARRY F. BYRD, JR.), the Senator from Nevada (Mr. CANNON), the Senator from Indiana (Mr. HARTKE), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Arkansas (Mr. MCCLELLAN), the Senator from Minnesota (Mr. MONDALE), the Senator from Rhode Island (Mr. PELL), and the Senator from California (Mr. TUNNEY) are necessarily absent.

I further announce that the Senator from Hawaii (Mr. INOUYE) is absent on official business.

I further announce that, if present and voting, the Senator from Rhode Island (Mr. PELL) and the Senator from California (Mr. TUNNEY) would each vote "yea."

Mr. GRIFFIN. I announce that the Senator from Maryland (Mr. BEALL), the Senator from Tennessee (Mr. BROCK), the Senator from New York (Mr. BUCKLEY), the Senator from Kansas (Mr. DOLE), and the Senator from Ohio (Mr. TAFT) are necessarily absent.

I further announce that, if present and voting, the Senator from Maryland (Mr. BEALL) and the Senator from Tennessee (Mr. BROCK) would each vote "yea."

The result was announced—yeas 80, nays 4, as follows:

[Rollcall Vote No. 591 Leg.]

YEAS—80

Allen	Gravel	Moss
Baker	Griffin	Muskie
Bartlett	Hansen	Nelson
Bayh	Hart, Gary	Nunn
Bellmon	Hart, Philip A.	Packwood
Bentsen	Haskell	Pastore
Biden	Hatfield	Pearson
Brooke	Hathaway	Percy
Bumpers	Hollings	Randolph
Burdick	Hruska	Ribicoff
Byrd, Robert C.	Huddleston	Roth
Case	Humphrey	Schweiker
Chiles	Jackson	Scott, Hugh
Church	Javits	Sparkman
Clark	Johnston	Stafford
Cranston	Laxalt	Stennis
Culver	Leahy	Stevens
Domenici	Long	Stevenson
Durkin	Magnuson	Stone
Eagleton	Mathias	Symington
Eastland	McClure	Talmadge
Fannin	McGee	Thurmond
Fong	McGovern	Tower
Ford	McIntyre	Weicker
Garn	Metcalfe	Williams
Glenn	Montoya	Young
Goldwater	Morgan	

NAYS—4

Helms	Proxmire	Scott,
Mansfield		William L.

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Curtis, against.

NOT VOTING—15

Abourezk	Cannon	Mondale
Beall	Dole	Pell
Brock	Hartke	Taft
Buckley	Inouye	Tunney
Byrd,	Kennedy	
Harry F., Jr.	McClellan	

So the bill (H.R. 13367), as amended, was passed.

Mr. LONG. Mr. President, I hope the Chair will permit me to make three successive motions.

One, I move to reconsider the vote by which the bill was passed.

Mr. HATHAWAY. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. LONG. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized to make technical and clerical corrections in the engrossment of the Senate amendment to this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I move that the Senate insist upon its amendment and request a conference with the House of Representatives, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer (Mr. HANSEN) appointed Mr. LONG, Mr. TALMADGE, Mr. NELSON, Mr. GRAVEL, Mr. HATHAWAY, Mr. FANNIN, Mr.

HANSEN, and Mr. PACKWOOD conferees on the part of the Senate.

Mr. LONG. Mr. President, I ask unanimous consent that the bill (H.R. 13367) be printed with the amendment of the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

VOTES ON TREATIES TOMORROW AT 1:30 P.M.

Mr. ROBERT C. BYRD. As in executive session, Mr. President, I ask unanimous consent that the votes on the treaties which were to begin at 1 p.m. tomorrow begin at 2 p.m. tomorrow instead.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

(Later, the following occurred.)

Mr. ROBERT C. BYRD. Mr. President, as in executive session, I ask unanimous consent that the votes on the treaties which, under the order previously entered, were to begin at 2 p.m. tomorrow, begin instead at 1:30 p.m., with the first rollcall vote on treaties, which is to count for four votes, to last for not to exceed 30 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

BILL HELD AT DESK—H.R. 3605

Mr. HUMPHREY. Mr. President, I simply ask that a bill that came over from the House, H.R. 3605, an act to amend the Internal Revenue Code relating to the Federal excise tax on beer, remain at the desk pending further deliberation and disposal.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

S. 3664

PRIVILEGE OF THE FLOOR

Mr. HELMS. Mr. President, I ask unanimous consent that Mr. Dick Bryan, of my staff, be accorded the privileges of the floor during the consideration of S. 3664 and any votes thereon, and also Mr. Joe Heaton, of the staff of Senator BARTLETT.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. Mr. President, I ask unanimous consent that Tom Brooks, Tony Cluff, Gil Bray, Lamar Smith and Steve Paradise be granted the privileges of the floor during the consideration of S. 3664 and any votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

GERMANENESS OF AMENDMENTS

Mr. HELMS. Mr. President, I further ask unanimous consent that all amendments in connection with this bill be required to be germane.

The PRESIDING OFFICER. Is there objection?

Mr. PROXMIRE. Mr. President, reserving the right to object, it is my understanding that the Senator from Idaho (Mr. CHURCH) has two amendments which I think are germane but I am not sure. I would appreciate it very much if

the Senator would withhold that request until Senator CHURCH can be notified.

Mr. HELMS. Mr. President, I will amend my request to exclude those two amendments.

Mr. PROXMIRE. The two Church amendments?

Mr. HELMS. Yes.

The PRESIDING OFFICER. Is there objection? Without objection it is so ordered.

CORRUPT OVERSEAS PAYMENTS BY U.S. BUSINESS ENTERPRISES

The PRESIDING OFFICER. Under the previous order, the Senate will proceed to the consideration of Calendar No. 973, S. 3664, which will be stated by title.

The assistant legislative clerk read as follows:

A bill (S. 3664) to amend the Securities Exchange Act of 1934 to require issuers of securities registered pursuant to section 12 of such act to maintain accurate records, to prohibit certain bribes, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Banking, Housing and Urban Affairs.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that Ken McLean, Robert Kuttner, and Howard Shuman be granted the privileges of the floor during the debate and vote on the pending bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, the bill before us this afternoon deals with a problem which troubles many Americans, the problem of bribery by multinational corporations abroad.

It is a very significant problem which has been recognized by all those who have responsibility, including the President of the United States, the Secretary of State, the Secretary of the Treasury, the committees of Congress, and many people in the business community. It is something which has been a very serious weakness of our free enterprise system.

It has been disclosed that there have been bribes paid by large American companies that have embarrassed foreign countries, that have resulted in great danger to governments in foreign countries, the danger that they may fall, and it has been a source of embarrassment and humiliation to many Americans who believe so strongly in our free enterprise system.

Mr. President, there is a broad consensus that the payment of bribes to influence business decisions corrodes the free enterprise system. Bribery short circuits the marketplace. Where bribes are paid, business is directed not to the most efficient producer but to the most corrupt. This misallocates resources and reduces economic efficiency. So our objective should be to end those bribes in the most effective way we can.

More importantly, bribery is simply unethical. It is counter to the moral ex-

pectations and values of the American public. It erodes public confidence in the integrity of the free market system. Bribery of foreign officials by some U.S. companies casts a shadow on all U.S. companies. It makes it harder for any American company to sell abroad when some of our most prominent and successful companies have engaged in that kind of activity.

It puts pressure on ethical enterprises to lower their standards and match corrupt payments, or risk losing business.

When bribery is exposed, it usually leads to sanctions both by the host government and the marketplace, against the offending company. The results have included cancellation of contracts, expropriations fines, lawsuits, and a loss of confidence in the company by investors.

Bribery of foreign officials by U.S. corporations also creates severe foreign policy problems. The revelations of improper payments invariably tends to embarrass friendly regimes and lowers the esteem for the United States among the foreign public. It lends credence to the worse suspicions sown by extreme nationalists or Marxists that American businesses operating in their country have a corrupting influence on their political systems. It increases the likelihood that when an angry citizenry demands reform, the target will be not only the corrupt local officials, but also the United States and U.S.-owned business.

Bribery by U.S. companies also undermines the foreign policy objective of the United States to promote democratically accountable governments and professionalized civil services in developing countries.

Mr. President, the question is, what is the committee recommending to the Senate of the United States to meet this problem? I might say this is a compromise bill, which was reported unanimously. Section 1 of the bill adopts the recommendations of the Securities and Exchange Commission. It requires reporting companies to create and to maintain accurate books and records.

It is essential that there be such a statute if we are to enforce the laws against bribery, and this is one of the urgent requirements recommended by the Commission.

Second, it requires internal accounting controls sufficient to assure that transactions will be executed in accordance with management's instructions, that transactions will be accurately recorded, that access to corporate assets is carefully controlled, and that the representations on company books will be compared at reasonable intervals with actual assets, and any discrepancies resolved.

The purpose of that provision, of course, is to make sure that the management of a company controls its assets, and that if people representing a company make a bribe payment, it is possible to hold the top officials of the company responsible. It is necessary to have this kind of law on the books to make sure that this responsibility is legally effective.

This section also makes it a crime for a reporting company to falsify books,

records, accounts, or documents, or to deceive an accountant in connection with an examination or audit.

The second section of the bill—and there are only three sections, and I have only a couple more paragraphs—applies to corporations subject to the jurisdiction of the SEC by virtue of the reporting requirements of the Securities Exchange Act of 1934. It applies the existing criminal penalties of the securities laws—up to 2 years imprisonment and a fine of up to \$10,000—for payments, promises of payment, or authorization of payment of anything of value to any foreign official, political party, candidate for office, or intermediary, where there is a corrupt purpose. The corrupt purpose must be to induce the recipient to use his influence to direct business to any person, to influence legislation or regulations, or to fail to perform an official function in order to influence business decisions, legislation, or regulations, of a government.

The other section of the bill, section 3, applies the identical prohibitions and penalties provided by section 2 to any domestic business concern other than one subject to the jurisdiction of the SEC pursuant to section 2. Violations of the criminal prohibition under section 3 by persons not subject to SEC jurisdiction would be investigated and prosecuted by the Justice Department. Violations under section 2 would normally be investigated initially by the SEC, but referred for criminal prosecution to the Justice Department.

Mr. President, I have two more arguments I would like to make before I finish.

In the first place, the arguments against the legislation seemed to the committee—certainly they seemed to this Senator—to be unconvincing.

Most witnesses before the committee denounced bribery as an intolerable practice. Yet the argument is sometimes made that U.S. companies must pay bribes in order to compete with less scrupulous foreign competitors.

How about that? Do our firms really have to pay bribes to be effective abroad? As late as 1975, a survey of senior executives of major companies revealed that nearly half condoned bribery as necessary to do business in some parts of the world.

In reality, however, many of America's leading companies have never resorted to bribery. That is, in every industry where bribery has been present, the SEC found that there were American companies that were very successful, that paid no bribes at all. Incidentally, that is a most eloquent answer to the argument that we had better go along, or we will lose trade abroad. It seems to me it shows conclusively that it is not necessary to make these bribe payments. SEC Chairman Hills told the committee in testimony May 18:

We find in every industry where bribes have been revealed that companies of equal size are proclaiming that they have no need to engage in such policies.

Indeed, there is substantial evidence that a refusal to bribe seldom results in

a business advantage for foreign competitors. As Secretary Richardson observed on behalf of the Administration Task Force:

In a multitude of questionable payments cases—especially those involving sales of military and commercial aircraft—payments have been made not to outcompete foreign competitors, but rather to gain a competitive edge over other U.S. manufacturers.

Mr. President, the most conspicuous example of bribes, or influence by payments, I should say, is by the Lockheed Corp. There were \$22 million, or close to that, in payments that were considered questionable, and may have been considered as bribes. But from the testimony, it was obvious that Lockheed was competing, not with foreign competitors, but with other American companies. We produce more than 80 percent of the aircraft similar to those Lockheed produces, and that was their method of competition.

A strong antibribery law would help U.S. multinational companies resist corrupt demands, and would enhance the reputation of U.S. business abroad. The former chairman of Gulf Oil Co., Bob Dorsey, commented in testimony before the Multinationals Subcommittee of the Senate Foreign Relations Committee:

... such a statute on our books would make it easier to resist the very intense pressures which are placed on us from time to time. If we could cite our law which says that we just may not do it, we would be in a better position to resist these pressures and refuse the requests.

That comes from a man who has had the hardest, toughest, and most direct kind of practical experience in this business. His recommendation to Congress is to pass a law outlawing bribery, and he says it will not make it harder for business, but better for business if we do so.

The argument has also been made that some foreign countries might resent American attempts to export our morality and impose American standards on transactions taking place in their countries. The fact is that virtually every country has its own laws against bribery, although some are not vigorously enforced. Given worldwide outcry against the corrupting influence of some U.S.-based multinationals on foreign governments, the committee believes that most countries would welcome a greater effort by the United States to discourage offensive conduct by U.S. companies, wherever their activities may take place.

It is interesting that the attorney general of the African Republic of Botswana, a small developing country in Africa, observed as follows:

Certainly, no self-respecting African nation would consider U.S. legislation aimed at curbing corrupt practices of American transnational enterprises in their foreign host states to be "presumptuous" or in any way "an interference". On the contrary, most Third World nations would appreciate such legislation. You see, developing countries have difficulties in discovering offenses committed by U.S. corporations in so far as their bribing and corrupting of local government officials. . . . Why do you think all of these disclosures are coming out of Washington and not out of the host countries? On this particular issue, most Third World countries

would want to cooperate to the fullest extent possible, with the U.S. and other home countries to make sure that the offending transactional enterprise is punished. Another result of the U.S. adopting such legislation is that the Third World will acquire a healthier respect for the United States and its transnational enterprises.

Mr. President, we are not doing a disservice. We are doing a great service to other countries by prohibiting bribes by our companies abroad.

There is no way that another country can gain if they acquire products from this country through bribery. What that means, of course, is the airplane or the tank that is bought, or the other product that is purchased is an inferior product; otherwise, the bribe would not be necessary. Either it is inferior or the price is higher. The reason the bribe is necessary is to sell the product.

So it is obviously not only in the interest of this country, not only in the interest, as I pointed out in some detail, of businesses, but it is in the clear interest of the foreign countries involved, and they have told us that.

The concern has also been raised that criminal sanctions against an illegal act which takes place at least in part outside the United States, even if desirable, may be unenforceable or unconstitutional. It is a settled question of international law, of course, that a State may regulate the conduct of its citizens overseas where such conduct has consequences domestically.

There are ample legal precedents for the prosecution of criminal conduct overseas, where the illegal act is committed by a U.S. citizen or national or by a U.S. organized or controlled company, where there is a nexus between that act and acts carried out within the United States, or where the act has consequences in the United States. Examples include securities fraud, violations of the Trading With the Enemy Act, and certain antitrust violations. The report of the committee includes a legal memorandum on that point. Moreover, in the current SEC investigations of violations of the securities laws involving failure to disclose material payments, the SEC has referred cases to the Justice Department for prosecution where the alleged criminal violation involved failure to report an overseas payment.

The committee also notes that in most cases investigated by the SEC to date, investigators were able to uncover adequate evidence of overseas payments by subpoenaing records, and/or interviewing witnesses with knowledge of such payments, available in the United States. Furthermore, ethical employees or competitors are often a source of information on bribes paid overseas. All of these sources will continue to be available in the prosecution of bribery cases.

Finally, while the committee recognizes that the Securities and Exchange Commission has diligently sought to enforce the securities laws provisions requiring corporate reports to disclose "material" payments, the concerns raised by the disclosure of corrupt foreign payments require a national policy against corporate bribery that transcends the

narrower objective of adequately disclosing material information to investors.

There is one more argument I wish to make, Mr. President, before I yield the floor.

I fully recognize that the proposed law will not reach all corrupt payments overseas. For example, sections 2 and 3 of the bill that is before the Senate now would not permit prosecution of a foreign national who paid a bribe overseas acting entirely on his own initiative.

The committee notes, however, that in the majority of bribery cases investigated by the SEC, some responsible official or employee of the U.S. parent company had knowledge of the bribery and approved the practice. Under the bill as reported, such employees could be prosecuted. The concepts of aiding and abetting and joint participation in, would apply to a violation under this bill in the same manner in which they have applied in both SEC actions and in private actions brought under the securities laws generally.

Furthermore, any U.S. corporation subject to the accounting requirements of section 1 which made a practice of "looking the other way" in order to be able to raise the defense that they were ignorant of bribes initiated by a foreign subsidiary, could be in violation of new subparagraph (b) (2) (B) requiring issuers to devise and maintain adequate accounting controls. Under section 1, no off-the-books account or fund could lawfully be maintained, either by the U.S. parent or by its foreign subsidiary, and no improper payment could be lawfully disguised.

The committee expects that the prohibitions contained in section 2 of the bill as reported will complement the accounting provisions of section 1, which were recommended by both the SEC and the Richardson task force. The committee took note of the SEC's oft-repeated conclusion that "virtually all questionable payment matters have involved the deliberate falsification of corporate books or records, or the maintenance of inaccurate or inadequate books and records, which among other things, prevent these practices from coming to the attention of the company's auditors, outside directors, and shareholders."

The requirement to maintain accurate books, records, and management controls and the prohibition against falsifying such records or deceiving an auditor will go a long way toward eliminating improper payments, which—almost by definition—require concealment. Taken in combination with the criminal prohibition against bribery, the accounting provisions should be adequate to the task of deterring corrupt payments even where transgressors take steps to evade the intent of the law.

To sum up, Mr. President, this is a compromise bill. The committee narrowed the definition of "bribery." The disclosure provision was dropped. I objected to that, and I hope on the floor we can amend the bill to accept an amendment which I understand Senator CHURCH will offer that will provide disclosure. I think that will be a substantial

strengthening and improvement of the bill.

The bill has support in its present form of the SEC. It was a bipartisan compromise reported to the Senate without dissent. Both Democrats and Republicans on the committee support the bill.

The bill simply makes it a crime to bribe a foreign official to obtain business or influence legislation. It must be a corrupt purpose. It makes it a crime to falsify company books.

Other nations need to have confidence that U.S.-based firms are not corrupting foreign governments.

We have the conspicuous and tragic example of the Japanese Lockheed case. Bribery, by a few firms like Lockheed, unfairly tarnishes the honest U.S. companies and puts pressures on the honest companies to bribe.

The Securities and Exchange Commission told us many bribes paid by U.S. companies were paid to get business away from other U.S. companies.

It is enforceable. Most existing SEC cases were brought by using records and witnesses available to the United States.

Mr. President, I yield the floor, and I am hopeful we can finish this bill tonight.

If the Senator from Texas wants to agree to any time limitation after debate has run a while, I will be happy to do that. If not, we will just see what happens.

Mr. TOWER. Mr. President, in response to the Senator from Wisconsin, I would be perfectly willing to agree on controlled time if I could know what amendments we are likely to consider. I have some concerns myself about the Church amendment.

As to the bill in its present form, I am prepared to go ahead and act on it quickly, but it is the uncertainty on amendments that causes me to be reluctant. So I will not agree to a controlled time at this point.

As we have seen this past year, improper payments to foreign government officials or their intermediaries is indeed a serious problem and one which is not taken lightly by responsible governments. It is also a problem more akin to a disease which deeply troubles proponents of our free enterprise system. We have built an economy in the United States based on vigorous, honest competition where price, quality, and service commingle with demand and supply to regulate economic transactions. Bribery poisons this system by destroying the organisms of mutual trust and voluntary cooperation so essential to the free flow of commerce. This ethical decay must be stopped.

Bribes, payoffs, or kickbacks are also unproductive and inefficient; they increase the costs of doing business while providing little or no tangible benefits. There are those that contend that bribery is a necessary part of doing business. To those individuals I defer to Benjamin Franklin who once wryly remarked:

If the rascals knew the advantage of virtue, they would become honest men out of rascality.

The Banking Committee has approached this issue and has attempted to deal with it through S. 3664. This legislation essentially contains recommendations made by the Securities and Exchange Commission to improve corporate accountability and a narrowly defined prohibition against the payment of overseas bribes by U.S. business concerns.

Though I strongly support the intent of the legislation and believe that the direct-prohibition approach contained in S. 3664 is superior to a disclosure-based approach, I am concerned about the scant attention given to the first section of the proposal.

The first section contains the recommendations of the SEC. During the hearing and subsequently during the markup session we in the committee had the impression that the measures proposed by the Commission would simply make explicit what was implicit in the statutes. I understood that the proposal would not expand the authority of the SEC nor distort the existing system of corporate self-regulation. Since the legislation was favorably reported on June 22, 1976, serious questions have been raised as to the nature of the proposals contained in section 1.

It is unfortunate that the legislation was considered in such haste. The SEC proposal was introduced as a separate bill, S. 3418, on May 12, 1976, and hearings were then held on May 18. At that time only the Chairman and the Commissioners presented testimony; there were no private witnesses.

Mr. President, section 1 of this legislation simply has not been thoughtfully considered. The requirement that corporations devise an adequate system of internal accounting controls though laudatory in concept may prove troublesome in its implementation. It is also questionable as to whether this would significantly contribute to resolving the bribery dilemma.

Questions have also been raised as to the advisability of making it a crime to orally lie to or to mislead an auditor. It is contended that the actual effect may be to reduce the effectiveness of the independent auditing process.

I wish to make it clear that I do not oppose the intent of section 1 and I may not oppose it in its present form. I only wish to state that there are issues which have not been adequately resolved.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that Mr. William Weber, of the staff of the Committee on Banking, Housing and Urban Affairs, have the privilege of the floor during the debate and vote on this matter.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. CHURCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 2292

Mr. CHURCH. Mr. President, I send to the desk an amendment to the pending bill.

The PRESIDING OFFICER. The amendment will be stated. The legislative clerk read as follows:

The Senator from Idaho (Mr. CHURCH) proposes an amendment:

The amendment is as follows:

At the end of the bill add the following:

REPORTING REQUIREMENTS

SEC. 4. Section 13 of the Securities Exchange Act of 1934 is amended by adding at the end thereof the following new subsection:

"(g) (1) Every issuer of a security registered pursuant to section 12 of this title shall file with the Commission, in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the proper protection of investors and to insure fair dealing in the security, periodic disclosure statements containing such information and documents (and such copies thereof), as the Commission shall deem necessary or appropriate to provide a complete accounting of any contribution, payment, gift, commission, or thing of value, as defined by the Commission, not already reported, pursuant to provisions of sections 22 or 38 of the Arms Export Control Act, paid or furnished by the issuer—

"(A) to any agent, consultant or like individual retained by the issuer to perform services outside the United States on behalf of the issuer in promoting, selling, or soliciting or securing indications of interest in any product or service produced, sold, distributed, or performed by the issuer;

"(B) in connection with any direct or indirect political contribution by that issuer to any foreign government; and

"(C) in connection with any direct or indirect payment or gift by the issuer to an official or employee of a foreign government.

"(2) Each statement required to be filed under paragraph (1) shall include—

"(A) the name and address of each person who made any such contribution, payment, gift, or who paid such commission or furnished such thing of value;

"(B) the date and amount of any such contribution, payment, gift, commission, or thing of value;

"(C) the name and address of each recipient or beneficiary, whether direct or indirect, of each such contribution, payment, gift, commission or thing of value;

"(D) a description of the purpose for which each such contribution, payment, gift, commission or thing of value was furnished; and

"(E) such other information as the Commission may require.

"(3) Each such issuer shall maintain adequate books and records relating to contributions, payments, gifts, commissions, or things of value referred to in paragraph (1) as the commission may by regulation require for a period of not less than five years.

"(4) Each such issuer shall require, as a condition of employment or retention, that each person retained by the issuer within the meaning of paragraph (1) (A)—

"(A) maintain, for not less than five years, copies of books and records in the United States; or

"(B) make available upon request by the issuer books and records,

pertaining to such issuer and indicating the ultimate recipient of any contribution, payment, gift, commission, or other thing of value furnished to such person or to or through any other person.

"(5) Each statement filed under this subsection shall be made available for examination and copying by the public, except to the extent the President determines that the disclosure of information contained in a particular statement will severely impair the conduct of the United States foreign policy, and transmits to the Committee on Foreign Relations of the Senate and the Committee on International Relations of the House of Representatives a report stating that such a determination has been made and summarizing the information which is subject to the determination. If such a determination is made, a notation to that effect shall be entered in that part of the statement which is made available to the public.

"(6) As used in this subsection the term 'foreign government' means government of a country other than the United States or of any political subdivision thereof, any agency or instrumentality of such government or subdivision, and any official of a political party, political party, or political association within a foreign country."

CIVIL LIABILITY

SEC. 5. (a) Except as provided in subsection (b), any person who makes any payment prohibited by section 3 of this Act, section 30A of the Securities Exchange Act of 1934, or section 201 of title 18, United States Code, and thereby causes a competitor to sustain actual damages is liable to such competitor in an amount equal to the sum of not more than three times the actual damages sustained by such competitor, plus the costs of the action and reasonable attorney's fees, as determined by the court.

(b) A person has no liability in an action under this section if he can show by a preponderance of the evidence that the plaintiff in such action also made a payment in violation of any such section.

(c) Any action under this section may be brought in any United States district court or in any court of competent jurisdiction within two years from the date of the occurrence of the violation.

FOREIGN POLICY ANALYSIS

SEC. 6. (a) The Secretary of State (hereinafter referred to as the "Secretary") shall provide annually to the Committee on Foreign Relations of the Senate and the Committee on International Relations of the House of Representatives a report containing a comprehensive review and foreign policy analysis, by country, of contributions, payments, gifts, commissions, or things of value, as defined by the Commission, paid or furnished by domestic concerns (as defined in section 3(c) (1))—

(1) to any agent, consultant or like individual retained by such a concern to perform services outside the United States on behalf of the concern in promoting, selling, or soliciting or securing indications of interest in, any product or service produced, sold, distributed, or performed by the concern;

(2) in connection with any direct or indirect political contribution by that concern to any foreign government; and

(3) in connection with any direct or indirect payment or gift by the concern to an official or employee of a foreign government

(b) The report required by subsection (a) shall include—

(1) the aggregate value of such contributions, payments, gifts, commissions, or things of value, if the total amount equals or exceeds a value determined by the Secretary as having significant foreign policy consequences, an identification of the companies involved, and an analysis of foreign policy implications;

(2) a description and analysis of specific transactions the effects of which are directly or indirectly detrimental to the interests of the United States;

(3) a statement of whether the Department of State was aware of such contributions, payments, gifts, commissions, or things of value prior to their making; and

(4) such other information as the Secretary deems necessary to provide a complete analysis of the foreign policy implications for the United States of the transactions involved.

(c) The Secretary shall have access to such information in the custody of the Securities and Exchange Commission as he determines is relevant to the formulation of this report. Further, the Secretary may consult with the Securities and Exchange Commission in order to formulate additional rules and regulations for promulgation by the Securities and Exchange Commission designed to obtain information for the Secretary's report. The Secretary may also request that the Securities and Exchange Commission seek supplementary information to enable the Secretary to provide as complete a report as possible.

(d) Nothing shall prevent the Secretary from making more frequent reports or briefings, partial or complete, when deemed necessary by either the Secretary or the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House.

INTERNATIONAL EFFORTS

SEC. 7. (a) All efforts should be made by the President to obtain international agreements in as many forums as appropriate concerning the reporting and exchange of this information and the establishment of international standards and codes of conduct for the operations of business concerns.

(b) The President shall make all efforts to obtain international rules and regulations for international government procurement and sales.

(c) Not later than 18 months after the date of the enactment of this Act, the President shall submit to the Committee on Foreign Relations of the Senate and the Committee on International Relations of the House of Representatives a report on all efforts undertaken pursuant to subsections (a) and (b) of this section.

Mr. CHURCH. Mr. President, first of all, I wish to amend the pending bill, S. 3664, which undertakes to make bribes paid overseas by U.S.-based corporations illegal under U.S. law.

For more than a year and a half, the subcommittee on multinational corporations, which I chair, has held extensive hearings on political contributions paid by U.S.-based corporations to persons in other countries. The record of these investigations is well known. Lockheed, Northrop, Exxon, Gulf, and Mobil are just some of the corporations that have made questionable payments abroad.

The Securities and Exchange Commission has uncovered many more such payments. The payments were virtually never made directly to the ultimate, intended recipient. Double bookkeeping, off-the-books accounts, Swiss bank ac-

counts, dummy or shell corporations set up in Switzerland or Lichtenstein, numerous agents or intermediaries whose existence is often kept secret, code names and code books, all hinder discovery of the direct payoff and obfuscate understanding of what is really at stake.

These practices have extremely serious consequences for both the conduct of U.S. foreign policy and the reception U.S. business receives abroad. Specifically, we found that the Lockheed Corp. had been funding, as its secret agent, Yoshio Kodama, a leader of an ultramilitarist faction in Japan whose politics the U.S. Government has opposed since World War II. In addition, my subcommittee revealed that bribes had been paid by Lockheed to highly placed ministers in the Japanese, Dutch, and Italian Governments; Northrop Corp. had made payments through its agent intended for two Saudi Arabian generals to facilitate the sales of its aircraft; Exxon, Mobil, Gulf, and Socal, among others, had joined to make contributions to Italian political parties in return for economic benefits.

This is not to say that only the corporations are at fault. For every giver there is a taker, and often the initiative comes from the foreign government official. Indeed, in some cases the initiative amounted to extortion. But too often the corporate response has been passive acquiescence, a shrug of the shoulders, and passing the added cost on to the consumer.

Congress has recognized the seriousness of this problem already. Both Houses have passed, and the President has signed into law, an amendment offered by myself and the Senator from Illinois (Mr. PERCY) requiring that corporations selling military equipment overseas report agents' fees and other payments to the U.S. Government. The information that must be reported includes the amounts and kinds of payments, and the names of sales agents and other persons receiving the payments. Recordkeeping is required to ensure proper reporting. The aim is to strip away the layers of agents, dummy corporations, and other smokescreens to determine exactly who is the ultimate recipient.

To address the problem more comprehensively, Senators CLARK, PEARSON, and myself introduced S. 3379, focusing on disclosure of fees and payments to insure that information with respect to questionable payments by all of our corporations was routinely available.

Senator PROXMIRE's bill makes overseas bribes illegal; it is my understanding that he welcomes disclosure and considers it complementary to his approach.

I am, therefore, introducing this amendment to Senator PROXMIRE's bill. The first section insures that the Securities and Exchange Commission will collect payments information parallel to that collected on foreign military sales; the focus again will be on determining the ultimate recipient. The information will be public unless the President finds that its revelation would severely impair the conduct of U.S. foreign policy. The second section creates a private right of

action for those corporations who can show that they lost business as a result of a competitor's paying bribes. Our investigations have uncovered instances of competition between U.S.-based firms where payoffs have been used with abandon; the Lockheed sale of the L1011 in Japan against competition by Boeing and McDonnell Douglas is a prime example. This provision would allow the private sector to police itself—an important concept as we face burgeoning government bureaucracies.

The third section requires that the Department of State analyze the foreign policy implications of these payments and report on its findings to Congress. The final paragraphs urge the President to take appropriate international steps to bring bribery under control.

The package complements and strengthens Senator PROXMIRE's anti-bribery bill. It provides the reporting necessary to identify those payments, many of which may not be necessarily illegal but could have serious consequences for our foreign policy, while establishing mechanisms that allow the private sector to police itself. The combined approaches can provide the most effective remedy to the problem.

Mr. President, I commend Senator PROXMIRE and Senator Tower and the other members of the committee for the excellent work they have done on the problem of overseas bribery. My purpose in offering this amendment is simply to supplement the bill's provision, which would make bribery illegal overseas, as it is in the United States. It would also require, should the amendment be adopted, the kind of disclosure provisions that we have already written into the military arms sales bill. A wider application of the disclosure provision is, in my judgment, necessary to make this bill do the job that I know Senator PROXMIRE wishes it to do.

Mr. PROXMIRE. Will the Senator from Idaho yield?

Mr. CHURCH. Yes.

Mr. PROXMIRE. As the Senator knows, I strongly support his proposal. I think it is a logical and sensible supplement. We had some of the same kind of measures in the bill as I proposed it in the committee. I want very much to preserve what the Senator from Idaho has developed so very well in the Committee on Foreign Relations. With a great deal of effort and a considerable amount of attention and hearings, he has undoubtedly made the biggest contribution of any Member of the Senate to an understanding of the abuse and the serious consequences of the abuse on American business, American trade, the American image abroad, and the need to act on it.

As I understand it, the Senator has proposed three things: No. 1, disclosure, not simply of bribes, but, in addition, of those payments that are not reached by our bill; that is, not made, perhaps, to an official of the Government, but to a private citizen who, in turn, might spread the money around. This would seem to be a possible loophole in the bill as it is presently presented, which would be plugged by section 1. Is that correct?

Mr. CHURCH. Yes, the Senator is cor-

rect. The disclosure provision goes to all commissions and fees paid to agents in connection with American sales abroad. Many of those fees and commissions may be perfectly legitimate. If they are, there will be some reasonable relationship between the amount paid to the agent and the sale that is sought.

On the other hand, since the law will require the disclosure of all such fees and commissions, if a company is, in fact, making large amounts of money available to an agent overseas, the disclosure requirement will alert the Government as to the possibility, the strong possibility, that the money is being improperly used to bribe foreign government agents. So this disclosure supplements the objective of the bill, which is to "illegalize" bribery abroad in the future, just as it has long been a crime when it takes place within the United States.

Mr. PROXMIRE. As I understand it, the second section of the Church amendment provides for private action so that a firm which is injured by the bribe—that is, they lose a sale, they lose the opportunity to make a profitable sale and do business because their competition is engaging in illegal bribery—can take private action which would have the desirable effect, No. 1, of dissuading such bribes; No. 2, of disclosing and enforcing prohibition of bribes in effect; No. 3, providing the kind of effective competition which all of us believe in. Is that correct?

Mr. CHURCH. Yes, the Senator is absolutely correct in his statement. We have found that, in a number of cases, monstrously unfair competition is being practiced by one American company against another. The honest company that tries to avoid under-the-table payments of millions of dollars to foreign officials wonders why it lost the sale, only to discover, months or years later, that it was because its competitor had paid off certain foreign officials to obtain the sale. Therefore, when that discovery is made, as it often is—and that has been the meat of my subcommittee's work for the last few months—the aggrieved company would have a civil cause of action for the damages it could prove resulted from the bribery.

Mr. PROXMIRE. The only other section of the amendment would require annual reports by the Department of State of the problem that these illegal and improper payments represent as far as our foreign policy is concerned?

Mr. CHURCH. The third paragraph imposes an obligation on the Department of State to make reports to Congress in connection with the bribery problem. These reports are to be made so that Congress can be kept current on the progress being made in tempering these practices and reducing them.

Mr. PROXMIRE. Is there a reaction from the Department of State to this proposal to make reports?

Mr. CHURCH. The only reaction that I know of from the administration on this issue has taken the form of the administration's own proposal. That is, to the best of my knowledge, the case.

The other provision in the final paragraphs of the amendment would simply urge the President to undertake appro-

priate steps to secure international cooperation. That way we are not taking unilateral action in cleaning up the practices of our own companies while other governments look the other way.

Mr. PROXMIRE. How much of a burden would this represent on the part of the State Department? How difficult would it be for them to enforce this?

Mr. CHURCH. I think there is no particular problem because the requirement is clear. It has already been adopted in the arms sales bill, and I knew of no objection on the part of the Department to the bookkeeping that would be involved in that disclosure requirement. This amendment closely follows the amendment that was already adopted in Congress as part of the arms sales bill.

Mr. PROXMIRE. Mr. President, I thank the Senator. Once again I reiterate my enthusiastic support for his amendment.

Mr. TOWER. Mr. President, I have only seen the amendment a few minutes ago. I have been going through it and trying to analyze it as best I can without benefit of any counsel.

I have some concerns with it, and I think the administration might have some concerns with it.

I note that we have held no hearings on this in the Banking Committee. We have held hearings on a similar bill, S. 3379, and there were just a few people who commented on it or testified on it, really only members of the Commission. There were no representatives from private industry or from the administration who testified on this matter, and I think it could have some far-reaching implications not just for American businesses that are doing business abroad but also it could have some foreign policy implications. It could have some domestic political impact on friendly countries—perhaps even in countries that are not so friendly but, at least, are not hostile.

So I think this would be a matter that we would want to consider very carefully. I hope we can hold hearings on this as a separate measure rather than go into it as an amendment to this bill.

There has been testimony to the effect that outright prohibition by the United States of the practice of bribery, criminal prohibition, is the strongest deterrent we could have, and that is contained in the bill before us. Too, it is the strongest possible indication of U.S. policy. This provision for wide disclosure, with no specific definition of what shall be disclosed, I think, has a potential for great mischief-making.

I note that what is required here is an accounting of any contribution, payment, gift, commission, or thing of value as defined by the Commission. Now, it could be a legitimate and legal contribution or payment. It could be the kind of gift that very often businesses give to their customers at Christmastime, that kind of thing, which is not really considered to be bribery, it is considered to be good public relations. Or things of value—well, things of value could be anything.

I think what this could do is force disclosure of legitimate payments or commissions and, perhaps, cast them in an

unfavorable light with a clear suggestion that, perhaps, there is something wrong with them. I think it is an invitation for witchhunting.

I might be convinced otherwise, but, at the moment, I am not convinced and, therefore, I hope that we do not act on this measure right now.

There is another provision that provides:

Each statement filed under this subsection shall be made available for examination and copying by the public, except to the extent the President determines that the disclosure of information contained in a particular statement will severely impair the conduct of the United States foreign policy, and transmits to the Committee on Foreign Relations of the Senate and the Committee on International Relations of the House of Representatives a report stating that such a determination has been made and summarizing the information which is subject to the determination.

Here is a further provision that I am somewhat at a loss about, which reads as follows:

If such a determination is made, a notation to that effect shall be entered in that part of the statement which is made available to the public.

What that sounds like to me is, even if it should impact adversely on the conduct of American foreign policy, the committee could go ahead and release the statement with simply a notation that the administration has noted it is harmful to the conduct of American foreign policy.

It does not seem to me to afford any protection of any kind to the administration in an effort to prevent the disclosure of information that does adversely impact, perhaps, on a delicate international negotiation or a delicate relationship of some kind.

I hope we could hold hearings on this proposal and hear more than the witnesses we have had on a similar proposal, which consisted only of the members of the Securities and Exchange Commission.

So I would plead with my distinguished chairman to use his good offices in seeing if we cannot, perhaps, agree to take this to hearing but not act on it on the floor today. This is too important a matter, and it has too many implications, for us to legislate in a few minutes here on the Senate floor, I think, on this matter.

Certainly I do not disagree with the intent of the Senator from Idaho. I know the Senator from Idaho is well-motivated on this, and I think we would all like to see these practices stopped, the practices that are engaged in not only by American companies, I might add, but by foreign companies as well. I will not name them, but we know who they are. As a matter of fact, there was a writeup in the Washington Post this morning of a French concern that has been engaged in this kind of thing.

I think the best way to stop it will not even be this kind of unilateral legislation that we are probably going to pass here today, S. 3664 which, as the chairman of the committee pointed out, we have all agreed to. The only way to deter it, I think, is going to be through some international convention that all the major industrial nations sign, something that

has the force of international law because, unilaterally by ourselves, we are not going to stop it.

MAINTENANCE OF COMMON TRUST FUND BY AFFILIATED BANKS

Mr. LONG. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. TOWER. I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, as of tonight the withholding tax is scheduled to go up because we need a few more days to act on the bill extending the withholding rates. So, to prevent this tax increase, we should pass this matter over to the House now so that the House can get it to the President's desk tonight.

I ask unanimous consent, Mr. President, that the pending matter may be temporarily laid aside long enough to consider Calendar No. 1116 to which I propose an amendment as to the withholding rates.

The PRESIDING OFFICER (Mr. STEVENS). Is there objection? The Chair hears none, and it is so ordered. The clerk will state the bill by title.

The legislative clerk read as follows:

Calendar No. 1116, H.R. 5071, a bill to amend section 584 of the Internal Revenue Code of 1954 with respect to the treatment of affiliated banks for purposes of the common trust fund provisions of such Code.

The PRESIDING OFFICER. Without objection, the Senate will proceed to its consideration.

The Senate proceeded to consider the bill.

UP AMENDMENT NO. 459

Mr. LONG. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Louisiana (Mr. LONG) proposes an unprinted amendment No. 459:

At the appropriate place, insert the following new section:

SEC. . WITHHOLDING; ESTIMATED TAX PAYMENTS

(a) WITHHOLDING.—

(1) IN GENERAL.—Section 402(a) of the Internal Revenue Code of 1954 (relating to income tax collected at source) is amended by striking out "September 15, 1976" and inserting in lieu thereof "October 1, 1976".

(2) TECHNICAL AMENDMENT.—Section 209 (c) of the Tax Reduction Act of 1975 is amended by striking out "September 15, 1976" and inserting in lieu thereof "October 1, 1976".

(b) ESTIMATED TAX PAYMENTS BY INDIVIDUAL.—Section 6153(g) of such Code (relating to installment payments of estimated income by individuals) is amended by striking out "September 15, 1976" and inserting in lieu thereof "October 1, 1976".

(c) ESTIMATED TAX PAYMENTS BY CORPORATIONS.—Section 6154(h) of such Code (relating to installment payments of estimated income by corporations) is amended by striking out "September 15, 1976" and inserting in lieu thereof "October 1, 1976".

Mr. ALLEN. Mr. President, will the Senator yield?

Mr. LONG. In just a second, Mr. President, this bill, regarding the maintenance of a common trust fund by affiliated banks, passed the House by a unanimous

vote, and it was unanimously agreed to in the Senate. I am not aware of any objection to it. The significant thing is the amendment would just continue the withholding tax rates until the end of this month and, of course, by that time we will have had, I hope we would have passed, the big tax bill we have been debating in the Senate.

I yield to the Senator.

Mr. ALLEN. I concur wholeheartedly with what the Senator is doing, and I am certainly not going to object by a prolonged discussion, but I would like to inquire if possibly there are other miscellaneous bills that have been through the Ways and Means Committee and the Finance Committee that may be on the calendar or others that will come to the calendar before adjournment that we might have an opportunity to offer innocuous amendments to of a miscellaneous nature. Would the Senator assure me that is the case?

Mr. LONG. I can assure the Senator there is a hold on every revenue bill that is on the calendar. Senators have that for various reasons. Some want to offer amendments. Some, perhaps, want to inquire in greater detail into the bill. There may be something someone else might want, an amendment they might not want to agree to.

But on my part, I can assure the Senator. I cannot guarantee, as if I had the power to do so. The Senator has the right to offer an amendment.

Mr. ALLEN. Will the Senator try to recall to let the Senator from Alabama know if he is going to bring a bill up so that he might have an opportunity?

Mr. LONG. Yes; I would be happy to inform the Senator.

Mr. ALLEN. I thank the Senator.

The PRESIDING OFFICER (Mr. STEVENS). The question is on agreeing to the amendment of the Senator from Louisiana.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill (H.R. 5071) was read the third time, and passed.

Mr. LONG. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. CHURCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

QUORUM CALL

Mr. PROXMIRE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

CORRUPT OVERSEAS PAYMENTS BY U.S. BUSINESS ENTERPRISES

The Senate continued with the consideration of the bill (S. 3664) to amend the Securities Exchange Act of 1934 to require issuers of securities registered pursuant to section 12 of such act to maintain accurate records, to prohibit certain bribes, and for other purposes.

Mr. MANSFIELD. Mr. President, I ask for the yeas and nays on the Church amendment.

The PRESIDING OFFICER (Mr. CURTIS). Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. MANSFIELD. I ask unanimous consent that the vote occur at 10 minutes to 5, the time to be equally divided.

Mr. TOWER. I object.

Mr. MANSFIELD. How much time do you want?

Mr. TOWER. I am not prepared to accept a limitation right now.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. FORD). Without objection, it is so ordered.

ORDER FOR ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in adjournment until 9:30 a.m. tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

SPECIAL ORDERS FOR WEDNESDAY

Mr. MANSFIELD. Mr. President, I ask unanimous consent that after the joint leaders have been recognized Senators BIDEN and CRANSTON be recognized for not to exceed 10 minutes each, Senator PROXMIRE for not to exceed 15 minutes, Senator STEVENSON and Senator MORGAN not to exceed 10 minutes, Senator MCGOVERN and Senator BAYH not to exceed 15 minutes; that at the conclusion of special orders, the Church amendment be laid before the Senate; that there be not to exceed 1 hour of debate on the Church amendment, to be equally divided between the Senator from Idaho (Mr. CHURCH) and the Senator from Texas (Mr. TOWER); that at the end of that time there be a vote on the Church amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

CORRUPT OVERSEAS PAYMENTS BY U.S. BUSINESS ENTERPRISES

The Senate continued with the consideration of the bill (S. 3664) to amend the Securities Exchange Act of 1934 to require issuers of securities registered pursuant to section 12 of such act to maintain accurate records, to prohibit certain bribes, and for other purposes.

Mr. CHURCH. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial which appeared in the Washington Post on August 21, 1976, endorsing my amendment, and an excellent letter written by the chairman of the Committee on Banking, Housing and Urban Affairs, Mr. PROXMIRE, in which he accents in principle the amendment as a welcome addition to the bill.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Aug. 21, 1976]

MR. TANAKA AND LOCKHEED

First the Japanese government pitched its former premier, Kakuei Tanaka, into jail for three weeks in its investigation into the Lockheed case. Then it indicted him and released him on bail—the highest bail ever set by a Japanese court on a bribery charge. Japan is hardly unique in the excessive amounts of money drawn into its political life. But it is hard to think of any other modern democracy that has treated a man of equal rank with such dramatic severity. Even Mr. Agnew was never locked up.

As the prosecution of Mr. Tanaka proceeds, it is useful for Americans to remember that it takes two to commit bribery—and the money in the Lockheed case came originally from the United States. Both Japan and the United States will hold elections this fall. In both countries, the question of international bribery is being raised at a time when the politicians are forced to pay attention.

The drastic character of the Tanaka prosecution is related to the intense rivalries among the factions of the Liberal Democratic Party that has governed Japan for almost three decades. When Mr. Tanaka was forced to resign as premier in 1974, as a result of earlier and lesser scandals, he continued in control of one of the party's largest factions. He had always been a spectacularly successful fund-raiser, and the influence that he derived from the flow of contributions continued undiminished. He remained the most powerful man in the party, and he is not the forgiving sort.

His successor as premier, Takeo Miki, discovered last winter that either he would have to prosecute Mr. Tanaka or Mr. Tanaka would devour him. But Mr. Tanaka began to get help from some of the other party leaders—men who had had no part in the Lockheed affair but who apparently feared the effects of a thorough investigation on the party structure. In May, several of the factions joined in an attempt to oust Mr. Miki. Instead of going quietly, he hit back. He declared that he would not leave office until the Lockheed scandal had been resolved. A surge of public support sustained the premier in power and two months later Mr. Tanaka went to jail. This week he was formally charged with taking \$1.7 million in bribes to persuade a domestic Japanese airline to buy 21 Lockheed Tristars.

It would have been unfortunate enough to have any American corporation involved in this kind of transaction. But Lockheed is not considered, in other countries, to be just another American company. It is the largest U.S. defense contractor, and it owes its existence to federally guaranteed loans. It is seen abroad as almost an arm of the U.S. government. Its misdeeds, thus, have done proportionately great damage to this country and its reputation.

What does the United States propose to do to prevent a repetition? Last spring Congress added a line to the military aid bill requiring defense contractors to report all foreign fees and commissions to the State Department. That is a beginning, but a very modest one. In the Japanese case, after all, Lockheed was selling civilian aircraft.

Sen. William Proxmire (D-Wis.) has called for criminal penalties for bribing foreign

officials. The Ford administration, instead, has proposed a rule of disclosure of all fees paid by American companies to promote foreign sales. At first glance the disclosure rule might seem weak, but it promises to work more effectively in practice than Sen. Proxmire's criminal sanctions. Jimmy Carter, the Democratic candidate for President, derided the administration's position the other day as "a proposal to allow corporations to engage in bribery so long as they report such illegal transactions to the Department of Commerce." But Mr. Carter hasn't yet got a good grip on the issue. International bribery is typically carried on through layers of subsidiaries and intermediaries; it's very difficult to prove criminal intent at the point at which the money leaves the United States. If a transaction takes place in Japan, it's up to the Japanese courts to decide what's illegal.

But there is one gaping defect in the administration's disclosure plan. Payments would be made public only after a delay of one full year. Why give a year's grace? The best solution comes from Sen. Frank Church, whose Subcommittee on Multinational Corporations was mainly responsible for bringing the Lockheed case to light. Sen. Church recommends full and immediate public disclosure of all fees paid on foreign sales, except for the rare exception that would severely impair national security.

Under the Church requirement, Japanese prosecutors would have been automatically alerted to the inexplicably large fees that were being paid by Lockheed on the Tristar sale. Only the Japanese government could pursue the matter beyond that point. And as Mr. Miki is demonstrating, the Japanese government is quite prepared to follow the chain to its end.

There is one heartening aspect to the squalid affair of the Tristar bribes. In both Japan and the United States, voters have been outraged and the search for effective sanctions has become a campaign issue. An accusation of bribery has suddenly become unprecedentedly dangerous to a politician—as Mr. Tanaka can testify.

[From the Washington Post, Sept. 7, 1976]

DEALING WITH CORPORATE BRIBERY

Your otherwise perceptive August 21 editorial on corporate bribery assumes erroneously that a criminal prohibition of foreign bribes versus a requirement that foreign payments be disclosed are mutually exclusive approaches to the overseas bribery problem and that disclosure is the more effective approach. Actually, both approaches are compatible and reinforce one another.

A disclosure approach can be particularly effective in deterring foreign payments of doubtful propriety but which do not meet the necessarily narrow definition of an outright bribe; for example, an abnormally large sales commission payment to the son of a foreign procurement official.

On the other hand, a direct criminal prohibition can be more effective in deterring foreign payments that are clearly bribes in the eyes of the company contemplating the payment. A disclosure approach, by itself,

would not necessarily discourage the payment of bribes in those cases where a company thought that it could disguise the true nature of the payment while still satisfying its legal disclosure obligations.

For example, a company might pay a fee to a foreign marketing consultant with an implicit understanding that a portion of the payment will be channelled to a foreign official in order to obtain a contract. The disclosures would appear legitimate while concealing the true purposes of the transaction.

It could be argued that a company that failed to indicate the true purpose of a foreign payment would be in violation of the disclosure statute and thus subject to civil and possibly criminal penalties. However, in order to bring such an action, the appropriate enforcement agency would have to show what the true purpose of the payment actually was. Thus, all of the evidence needed to enforce a direct prohibition of foreign bribes would also be needed for the effective enforcement of a disclosure statute.

After carefully considering the problem, the Senate Banking Committee concluded that a direct criminal prohibition would be no more difficult to enforce than a disclosure statute. A direct prohibition also has the advantage of clearly and unequivocally declaring that foreign bribes are contrary to U.S. policy. Accordingly, an immediate consensus was formed on the committee in favor of a criminal prohibition of foreign bribes.

The committee also considered the need for a complementary disclosure program to discourage payments that are potentially improper but not necessarily illegal. There was not a consensus on the committee that the benefits from a disclosure approach would outweigh the cost of compliance imposed on U.S. companies. The committee therefore decided to defer action on the disclosure approach until better information can be obtained.

In the meantime, there is no reason why the Senate should not proceed to consider the bill prohibiting foreign bribes as reported by the Banking Committee on July 2. A complementary disclosure program can always be considered as a floor amendment or passed in the form of a separate bill at a later date. The important thing is to take some action this year while the foreign payoff issue is still fresh in the public mind.

WILLIAM PROXMIRE,

Chairman, Senate Committee on Banking, Housing and Urban Affairs.

The PRESIDING OFFICER. Who yields time?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE MEETINGS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Committee on Public Works be authorized to meet on September 15 to consider the Water Resources Development Act of 1976 and that the Subcommittee on Federal Spending Practices of the Committee on Government Operations be authorized to meet on September 29 concerning the Army's main tank program. This has been cleared on both sides.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR TRANSACTION OF ROUTINE MORNING BUSINESS TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the conclusion of the order for recognition of Senators on tomorrow, there be a period for the transaction of routine morning business of not to exceed 15 minutes, with statements therein limited to 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT UNTIL 9:30 A.M.

Mr. ROBERT C. BYRD. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until 9:30 a.m. tomorrow.

The motion was agreed to; and at 5:11 p.m., the Senate adjourned until tomorrow, Wednesday, September 15, 1976, at 9:30 a.m.

CONFIRMATION

Executive nominations confirmed by the Senate September 14, 1976:

DEPARTMENT OF DEFENSE

David Robert Macdonald, of Illinois, to be Under Secretary of the Navy.

The above nomination was approved subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

EXTENSIONS OF REMARKS

RECENT HAPPENINGS AT U.S. MILITARY ACADEMY

HON. JOHN J. RHODES

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, September 14, 1976

Mr. RHODES. Mr. Speaker, a constituent in my district has written me a CXXII—1913—Part 23

very thoughtful letter, in which he expresses his concern over the recent happenings at the U.S. Military Academy.

His comments on the honor code are trenchant. He points out that this code has given the Academy its distinction as a bastion of integrity, and asks that the high moral standards be continued.

I am hopeful that my colleagues will take the time to read his commentary,

a reassertion of the principles that have guided those who have attended the Academy in the past.

Malcolm E. Craig makes a strong point for retention of this historic code of honor. Text of Mr. Craig's letter is as follows:

Congressman JOHN J. RHODES,
Rayburn Office Building,
Washington, D.C.

DEAR CONGRESSMAN RHODES: It is with a